GENERAL REVISION OF THE PATENT LAWS

US PATENT & TRADEMARK OFFICE
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HEARINGS

BEFORE

SUBCOMMITTEE NO. 3

OF THE

COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

ON

H.R. 5924, H.R. 13951, and Related Bills

FOR THE GENERAL REVISION OF THE PATENT LAWS, TITLE 35 OF THE UNITED STATES CODE, AND FOR OTHER PURPOSES

APRIL 17, 20, 26, 27; MAY 4, 11, 18, 25; JUNE 1, 8, 1967; AND FEBRUARY 21, 28, AND 29, 1968

Serial No. 11

PART 1

Printed for the use of the Committee on the Judiciary

OCT 8 1968
U. S. PATENT OFFICE

554

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UNITED STATES PATENT OFFICE

GPO 16—53001-2

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GENERAL REVISION OF THE PATENT LAWS

MONDAY, APRIL 17, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2226, Rayburn House Office Building, the Honorable Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, and Roth.

Also present: Herbert Fuchs, counsel to the subcommittee; and John W. Dean III, associate counsel.

Mr. KASTENMEIER. The subcommittee will come to order.

The subcommittee meets today to begin its hearing on H.R. 5924, submitted by the President of the United States, for the general revision of the patent laws.

(H.R. 5924 is as follows:)

[H.R. 5924, 90th Cong., first sess.]

A BILL For the general revision of the Patent Laws, title 35 of the United States Code, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is hereby amended in its entirety to read as follows:

"TITLE 35—PATENTS

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"III. PATENTS AND PROTECTION OF PATENT RIGHTS	251

"PART I—PATENT OFFICE

"CHAPTER	Sec.
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"Chapter 1.—ESTABLISHMENT, OFFICERS, FUNCTIONS

"Sec.

"1. Establishment.
"2. Seal.
"3. Officers and employees.
"4. Restrictions on officers and employees as to interest in patents.
"5. Bond of Commissioner and other officers.
"6. Duties of Commissioner.
"7. Board of Appeals.
"8. Library.
"9. Classification of patents.
"10. Certified copies of records.
"11. Publications.
"12. Research and studies.
"15. Advisory Council on the patent system.

"§ 1. Establishment

"The Patent Office shall be an Office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.

"§ 2. Seal

"The Patent Office shall have a seal with which letters patent, certificates of trademark registrations, and papers issued from the Office shall be authenticated.

"§ 3. Officers and employees

"(a) There shall be in the Patent Office a Commissioner of Patents, one first assistant commissioner, two other assistant commissioners, and not more than twenty-four examiners-in-chief. The assistant commissioners shall perform the duties pertaining to the office of Commissioner assigned to them by the Commissioner. The first assistant commissioner, or, in the event of a vacancy in that office, the assistant commissioner senior in date of appointment, shall fill the office of Commissioner during a vacancy in that office until a Commissioner is appointed and takes office. The Commissioner of Patents shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce, upon the nomination of the Commissioner in accordance with law, shall appoint all other officers and employees.

"(b) The Secretary of Commerce may vest in himself the functions of the Patent Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.

"(c) The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent Office at not in excess of the maximum scheduled rate provided for positions in grade 17 of the General Schedule of positions referred to in section 5104 of title 5, United States Code, and of the assistant commissioners at not in excess of the rate provided for positions in grade 18.

"§ 4. Restrictions on officers and employees as to interest in patents

"Officers and employees of the Patent Office shall be incapable, during the period of their appointments and for one year thereafter, of applying for a patent and of acquiring, directly or indirectly, except by inheritance or bequest, any patent or any right or interest in any patent, issued or to be issued by the Office. In patents applied for thereafter they shall not be entitled to any priority date earlier than one year after the termination of their appointment.

"§ 5. Bond of Commissioner and other officers

"The Commissioner and such other officers as he designates, before entering upon their duties, shall severally give bond, with sureties, the former in the sum of $10,000, and the latter in sums prescribed by the Commissioner, conditioned for the faithful discharge of their respective duties and that they shall render to the proper officers of the Treasury a true account of all money received by virtue of their offices.

"§ 6. Duties of Commissioner

"The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; and he shall have charge of property belonging to the Patent Office. He may establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office. Such regulations and all other regulations issued pursuant to this title shall be subject to the approval of the Secretary of Commerce.

"§ 7. Board of Appeals

"(a) The Commissioner, the assistant commissioners, and the examiners-in-chief shall constitute a Board of Appeals in the Patent Office. The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed under the classified Civil Service.

"(b) The Board of Appeals shall:

"(1) Review adverse decisions of the examiners upon applications for patents as provided in section 134 of this title.

"(2) Review or consider actions arising under sections 136 and 257 of this title in accordance with regulations established for such purpose.

"(3) Perform the functions specified as being performed by a Board of Patent Interferences in Public Law 593, Eighty-second Congress (ch. 950, 66 Stat. 792, section 1), and in other Acts of Congress and when performing said function shall constitute a Board of Patent Interferences.

"(c) Each appeal or other action shall be heard or considered by at least three members of the Board of Appeals. The Board of Appeals has sole power to grant rehearings.

"(d) Whenever the Commissioner considers it necessary to maintain the work of the Board of Appeals current, he may designate any patent examiner of the primary examiner grade or higher having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Appeals. Not more than one acting examiner-in-chief shall be a member of the Board of Appeals hearing an appeal or considering a case. The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each designated examiner-in-chief in the Patent Office at not in excess of the maximum scheduled rate provided for positions in grade 16 of the General Schedule of positions referred to in section 5104 of title 5, United States Code. The per annum rate of basic compensation of each designated examiner-in-chief shall be adjusted, at the close of the period for which he was designated to act as examiner-in-chief, to the per annum rate of basic compensation which he would have been receiving at the close of such period if such designation had not been made.

"§ 8. Library

"The Commisioner shall maintain a library of scientific and other works and periodicals, both foreign and domestic, in the Patent Office to aid the officers in the discharge of their duties.

"§ 9. Classification of patents

"The Commissioner may revise and maintain the classification by subject matter of published specifications of United States patents and applications and of such other patents and applications and other scientific and technical information as may be necessary or practicable, for the purpose of determining with readines and accuracy the novelty of inventions for which applications for patent are filed.

"§ 10. Certified copies of records

"The Commissioner may, upon payment of the prescribed fee, furnish certified copies of records of the Patent Office to persons entitled thereto.

"§ 11. Publications

"(a) The Commissioner may print, or cause to be printed, the following:

"(1) Patent applications and parts thereof, subject to the provisions of this title, patent abstracts and patents, including specifications and drawings, together with copies of the same.

"(2) Certificates of trademark registration, including statements and drawings, together with copies the same.

"(3) The Official Gazette of the United States Patent Office.

"(4) Annual indices of patents and patentees, published applications and applicants, and of trademarks and registrants.

"(5) Annual volumes of decisions in patent and trademark cases.

"(6) Classification manuals and indices of the classifications of patents.

"(7) Pamphlet copies of the patent laws and rules of practice, laws and rules relating to trademarks and circulars or other publications relating to the business of the Office.

"(b) The Patent Office may print the headings of the drawings for patents for the purpose of photolithography.

"§ 12. Research and studies

"(a) The Commissioner shall conduct a program of research and development to improve and expedite the handling, classification, storage and retrieval of patents and other scientific and technical information.

"(b) The Commissioner, in consultation with the Advisory Council established pursuant to section 15 of this title, shall conduct and sponsor studies to aid in analyzing the contemporary needs of the patent system and in evaluating the effectivenes of the patent system in serving the public interest.

"§ 15. Advisory Council on the patent system

"(a) There is hereby established an Advisory Council on the Patent System (referred to in this section as the 'Council') of not less than twelve nor more than twenty-four members to be appointed by the Secretary of Commerce from the general public, without regard to the civil service laws, and to consist of persons representing sectors affected by the patent system. The Secretary of Commerce shall designate the Chairman of the Council and set the term of the members.

"(b) It shall be the duty of the Council, on a continuing basis, to evaluate the effectiveness of the patent system in serving the public interest; to analyze the contemporary conditions and needs of the patent system; to study and appraise the methods and operations of the United States Patent Office including the quality of United States patents, the procedures and timing of publication of pending applications and the need for and scope of any deferred examination system; and to report to the Secretary of Commerce its conclusions and recommendations.

"(c) The Secretary of Commerce shall furnish to the Council an executive secretary and such professional, secretarial, clerical, and other services and facilities as are deemed necessary to the conduct of its business.

"Chapter 2.—PROCEEDINGS IN THE PATENT OFFICE

"Sec.
"21. Day for taking action falling on Saturday, Sunday, or holiday.
"22. Printing of papers filed.
"23. Testimony in Patent Office cases.
"24. Subpenas, witnesses.
"25. Oath and declaration in lieu of oath.
"26. Effect of defective execution.

"§ 21. Day for taking action falling on Saturday, Sunday, or holiday

"When the day, or the last day, for taking any action or paying any fee in the United States Patent Office falls on Saturday, Sunday, or a holiday within the District of Columbia, the action may be taken, or the fee paid, on the next succeeding secular or business day.

"§ 22. Printing of papers filed

"The Commissioner may require papers filed in the Patent Office to be printed or typewritten.

"§ 23. Testimony in Patent Office cases

"The Commisioner may establish rules for taking affidavits and depositions required in cases in the Patent Office. Any officer authorized by law to take depositions to be used in the courts of the United States, or of the State where he resides, may take such affidavits and depositions.

"§ 24. Subpenas, witnesses

"The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the Patent Office, shall, upon the application of any party thereto, issue a subpena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpena. The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested cases in the Patent Office.

"Every witness subpenaed and in attendance shall be allowed the fees and traveling expenses allowed to witnesses attending the United States district courts.

"A judge of a court whose clerk issued a subpena may enforce obedience to the process or punish disobedience as in other like cases, on proof that a witness served with such subpena, neglected or refused to appear or to testify. No witness shall be deemed guilty of contempt for disobeying such subpena unless his fees and traveling expenses in going to, and returning from, and one day's attendance at the place of examination, are paid or tendered him at the time of the service of the subpena; nor for refusing to disclose any secret matter except upon appropriate order of the court which issued the subpena.

"§ 25. Oath and declaration in lieu of oath

"(a) An oath to be filed in the Patent Office may be made before any person within the United States authorized by law to administer oaths, or, when made

in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies with the laws of the state or country where made.

"(b) The Commissioner may by rule prescribe that any document to be filed in the Patent Office, and which is required by any law, rule, or other regulation to be under oath may be subscribed to by a written declaration in such form as the Commissioner may prescribe, such declaration to be in lieu of the oath otherwise required.

"(c) Whenever such written declaration is used, the document must warn the declarant that willful false statements and the like are subject to punishment including fine or imprisonment, or both.

"§ 26. Effect of defective execution

"Any document to be filed in the Patent Office and which is required by any law, rule, or other regulation to be executed in a specified manner may be provisionally accepted by the Commissioner despite a defective execution, provided a properly executed document is submitted within such time as may be prescribed.

"Chapter 3.—PRACTICE BEFORE PATENT OFFICE

"Sec.
"31. Regulations for agents and attorneys.
"32. Suspension or exclusion from practice.
"33. Unauthorized representation as practitioner.

"§ 31. Regulations for agents and attorneys

"The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

"§ 32. Suspension or exclusion from practice

"The Commissioner may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 31 of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded.

"§ 33. Unauthorized representation as practitioner

"Whoever, not being recognized to practice before the Patent Office, holds himself out or permits himself to be held out as so recognized, or as being qualified to prepare or prosecute applications for patent, shall be fined not more than $1,000 for each offense.

"Chapter 4.—PATENT FEES

"Sec.
"41. Patent fees.
"42. Payment of patent fees; return of excess amounts.

"§ 41. Patent fees

"(a) The Commissioner shall prescribe by regulations the fees to be paid in connection with the filing and examination of patent applications, the issuance of patents, and other matters set forth in this title as requiring a fee and for copies of records, publications or other services furnished by the Patent Office, designed to effect an overall recovery in the range of 65 to 75 per centum of the costs of operation of the Patent Office.

"(b) The Commissioner shall prescribe by regulations, consistent with the provisions of this title, the time for payment of the fees to be paid under this title. If payment of the fees in connection with the examination, publication or issuance of a patent application are not timely made, the application shall be regarded as abandoned. An applicant shall be given at least thirty days following notice of a fee due pursuant to section 123 or 151 of this title in which to pay the fee.

"(c) The fees established under the authority of this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof.

"(d) The Commissioner may prescribe by regulations when copies of Patent Office records and publications may be provided without charge or in exchange for records or publications of foreign countries.

"§ 42. Payment of fees; return of excess amounts

"All fees shall be paid to the Commissioner, who shall deposit the same in the Treasury of the United States in such manner as the Secretary of the Treasury directs, and the Commissioner may refund any sum paid by mistake or in excess of the fee required.

"PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

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"Chapter 10.—PATENTABILITY OF INVENTIONS

"Sec.
"100. Definitions.
"101. Right to patent: inventions patentable.
"102. Conditions for patentability.
"103. Conditions for patentability; nonobvious subject matter.
"105. Nonprejudicial disclosure.
"106. Computer programs not patentable.

"§ 100. Definitions

"When used in this title unless the context otherwise indicates—

"(a) The term 'invention' means invention or discovery.

"(b) The term 'process' means process, art or method and includes a new use of a known process, machine, manufacture, composition of matter, or material.

"(c) The term 'United States' means the United States of America, its territories and possessions.

"(d) The term 'applicant' means any person who has filed an application for patent as provided in this title.

"(e) The term 'patentee' includes not only the person to whom the patent was issued but also the successors in title to such person.

"(f) The term 'effective filing date,' when used in reference to a complete application for patent, includes the filing date to which such application, or the subject matter of any claim thereof, may be entitled under the provisions of sections 119 or 120. A complete application or the resulting patent may contain separate claims for subject matter having different effective filing dates.

"§ 101. Right to patent: inventions patentable

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, or his successor in title, may obtain a patent therefor, subject to the conditions and requirements of this title.

"§ 102. Conditions for patentability

"A person shall not be entitled to a patent if—

"(a) prior to the effective filing date of the application, the subject matter sought to be patented was known to the public, or made available to the public by means of a disclosure in tangible form, or in public use or on sale, or

"(b) the subject matter sought to be patented was disclosed in a published United States application, or United States patent, having an effective filing date on or before that of the application for patent for the subject matter sought to be patented unless such application for patent is filed by the same applicant and is filed prior to the publication date of such prior published United States application, or

"(c) the inventor named in the application did not himself invent the subject matter sought to be patented, or

"(d) he has abandoned the invention.

"§103. Conditions for patentability; nonobvious subject matter

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious on or before the effective filing date of the application to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

"§ 105. Nonprejudicial disclosure

"(a) A public disclosure of subject matter concerning an invention less than six months prior to the date of filing of a complete application for patent, shall not bar the issuance of the patent if—

"(1) the subject matter was derived from the inventor named in such application, and

"(2) the disclosure was made in violation of an obligation not to disclose the subject matter.

"(b) The Commissioner may establish procedures for making determinations under subsection (a) of this section. No such determination in favor of the applicant shall be subject to direct judicial review.

"§ 106. Computer programs not patentable

"A plan of action or set of operating instructions, in whatever form presented, to cause a controllable data processor or computer to perform selected operations shall not be patentable.

"Chapter 11.—APPLICATION FOR PATENT

"Sec.
"111. Application for patent.
"112. Specification of a complete application.
"113. Drawings.
"114. Models, specimens.
"115. Oath of applicant.
"116. Joint Inventors.
"117. Death or incapacity of inventor.
"118. Action when no oath or assignment can be obtained.
"119. Benefit of earlier filing date in foreign country ; right of priority.
"120. Benefit of earlier filing date in the United States.
"121. Divisional applications.
"122. Confidential status of applications.
"123. Publication.

"§ 111. Application for patent

"(a) An application for patent may be filed by either the inventor or the owner of the invention sought to be patented. The application shall be made in writing to the Commissioner, shall be signed by the applicant and include the name of each person believed to have made an inventive contribution, and shall be accompanied by the prescribed fee. An application filed by a person not the inventor shall include, at the time of filing, a statement of the facts supporting the allegation of ownership of the invention.

"(b) A complete application for patent shall include:

"(1) a specification as prescribed by section 112 of this title;

"(2) a drawing as prescribed by section 113 of this title; and

"(3) if filed by the inventor, an oath prescribed by section 115(a) of this title.

"(c) A preliminary application containing, the written description of an invention and otherwise complying with paragraph (a) of this section may be filed.

"(d) In a preliminary or complete application, omission of an inventor's name or inclusion of the name of one not an inventor, without deceptive intent, may be corrected at any time, in accordance with regulations established by the Commission.

"(e) When the Commissioner requires or publishes an abstract of the technical disclosure of a complete application, such abstract shall not be used either in the Patent Office or after the issuance of a patent to determine or interpret the scope of the invention claimed.

"§ 112. Specification of a complete application

"(a) The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

"(b) The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor regards as his invention. A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.

"(c) An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

"§ 113. Drawings

"When the nature of the case admits, the applicant shall furnish a drawing.

"§ 114. Models, specimens

"The Commissioner may require the applicant to furnish a model of convenient size to exhibit advantageously the several parts of his invention.

"§ 115. Oath of applicant

"(a) The applicant of a complete application, if he is the inventor, shall make oath that he believes himself to be the original inventor of the subject matter sought to be patented and shall state of what country he is a citizen.

"(b) The applicant of a complete application, if he is not the inventor, shall prior to the publication of the application:

"(1) file an oath by the inventor containing the averment prescribed in subsection (a) of this section and

"(2) record in the Patent Office an assignment, if ownership resulted from an assignment, or proof of ownership, in other cases.

"(c) The applicant of a complete application filed pursuant to section 117 of this title may make the oath required by subsection (b) of this section, so varied in form that it can be made by him.

"§ 116. Joint inventors

"(a) When two or more persons have made inventive contributions to subject matter claimed in an application, they shall apply for a patent jointly and each sign the application and make the required oath, or, if the application is filed by some other person having the right to do so, they shall be named as the inventors.

"(b) In an application for patent for a joint invention, it shall not be necessary for each person named as joint inventor to be a joint inventor of the invention asserted in each claim.

"(c) If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Commissioner, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may publish the application and grant a patent to the inventor making the application, subject to the same rights which the omitted inventor

would have had if he had been joined. The omitted inventor may subsequently join in the application.

"§ 117. Death or incapacity of inventor

"Legal representatives of deceased inventors and of those under legal incapacity may make application for patent upon compliance with the requirements and on the same terms and conditions applicable to the inventor.

"§ 118. Action when no oath or assignment can be obtained

"Whenever an application is filed by someone not the inventor and the inventor refuses to execute the oath required by section 115(b)(1) of this title or an assignment, or cannot be found or reached after diligent effort, the Commissioner may, on proof of the pertinent facts and a showing by the applicant that such action is necessary to preserve the rights of the parties, and on compliance with such regulations as he prescribes:

"(a) publish the application in the absence of such oath or assignment, and

"(b) grant a patent in the name of the inventor.

"§ 119. Benefit of earlier filing date in foreign country; right of priority

"(a) A complete application for patent for an invention filed in this country by any person who has, or whose predecessor or successor in title has, previously regularly filed an application for a patent for the same invention by the same inventor in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, shall have the same effect as the same application would have if filed in the United States on the date on which the application for patent for the same invention was first filed in any such foreign country, if the complete application in this country is filed within twelve months from the earliest date on which such foreign application was filed.

"(b) No application shall be entitled to a right of priority under this section, unless the applicant makes a claim therefor at the time the complete application is filed and complies with such requirements as the Commissioner may prescribe by regulations.

"(c) In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequent regularly filed application in the same foreign country instead of the first filed foreign application, provided that any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without leaving any rights outstanding, and has not served, nor thereafter shall serve, as a basis for claiming a right of priority.

"§ 120. Benefit of earlier filing date in the United States

"(a) A complete application for patent for an invention shall have the same effect as to such invention as though filed on the date a preliminary application was filed if:

"(1) the two applications have the same inventor as to such invention;

"(2) the invention sought to be patented, including every feature recited in the claims therefor, is disclosed in the preliminary application so as to enable any person skilled in the art to which it pertains or with which it is most nearly connected to make and use the same;

"(3) the complete application is filed within one year of the date of filing of the preliminary application, and

"(4) the applicant specifically claims the benefit of the date of filing the preliminary application for subject matter claimed in the complete application, at the time of filing the complete application.

"(b) A complete application for patent for an invention shall have the same effect as to such invention as though filed on the date a prior complete application was filed if:

"(1) the two applications have the same inventor as to such invention;

"(2) the invention is disclosed in the prior application in the manner provided by the first paragraph of section 112 of this title;

"(3) the second application is filed before the abandonment of, or the termination of proceedings in, or the filing of an appeal under section 134 in (unless the second application is a divisional application resulting from a requirement under section 120(a)), or the publication of the application under section 151 of this title of, the prior application, whichever is earlier, and

"(4) the applicant specifically claims the benefit of the date of filing the prior application for subject matter claimed in the second application, at the time of filing the second application.

"(c) If the prior complete application referred to in subsection (b) of this section is directly entitled to the benefit of the date of a prior preliminary application under subsection (a) or to the date of an application in a foreign country under section 119, with respect to the invention, then the second application referred to in subsection (b) shall also be entitled to benefit of such date.

"§ 121. Divisional applications

"(a) If two or more independent and distinct inventions are claimed in one complete application, the Commissioner may require the application to be restricted to one of them. The Commissioner may by rule dispense with signing and execution in the case of an application directed solely to subject matter described and claimed in the original application.

"(b) The validity of a patent may not be questioned for failure of the Commissioner to require the application to be restricted under subsection (a) of this section, nor may the validity of either of two or more patents resulting from and in accordance with a requirement under said subsection (a) be questioned solely because of the existence of several patents, if the subsequent application is filed in accordance with the provisions of section 120 of this chapter.

"§ 122. Confidential status of applications

"Applications for patents shall be kept in confidence by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.

"§ 123. Publication

"(a) Under regulations prescribed by the Commissioner, a pending complete application which has not already been published under the provisions of section 151 of this title, shall be published as soon as practicable after such time, not less than eighteen months and not more than twenty-four months, from the earliest effective filing date claimed, as the Commissioner appoints, except that publication of applications under this subsection may be deferred in circumstances established by the Commissioner when such action will expedite disposition of such applications.

"(b) An applicant may, upon the payment of the prescribed fee, request earlier publication of his pending complete application and publication of the pending complete application shall occur as soon as practicable after the request.

"(c) Before publication of an application under this section, the applicant may be required, subject to sections 132 and 133 of this title, to place the application in proper form for publication.

"Chapter 12.—EXAMINATION OF APPLICATION

"Sec.

"131. Examination of application.
"132. Notice of rejection ; reexamination.
"133. Time for prosecuting application.
"134. Appeal to the Board of Appeals.
"136. Reexamination after publication.
"137. Burden of persuasion.

"§ 131. Examination of application

"The Commissioner shall cause an examination to be made of the complete application and the alleged new invention ; and if on such examination it is determined that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor as hereinafter provided.

"§ 132. Notice of rejection; reexamination

"Whenever, on examination, any claim of a complete application is rejected, or any objection or requirement made, the Commissioner shall notify the applicant thereof, stating the reasons therefor, together with such information and references as may be useful in judging the propriety of continuing the prosecution of the application ; and if after receiving such notice, the applicant requests reexamination, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

"§ 133. Time for prosecuting application

"Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of the Commissioner that such delay was unavoidable.

"§ 134. Appeal to the Board of Appeals

"An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Appeals, having once paid the fee for such appeal.

"§ 136. Reexamination after publication

"(a) Any person may at any time notify the Commissioner of patents or publications which may have a bearing on the patentability of a published application, and the Commissioner may cause the application to be examined or reexamined in the light thereof.

"(b) If such notification explains in writing the pertinency of the patents or publications cited and is received within three months, or within such longer time as the Commissioner appoints but not more than six months, after publication of the application under section 151 of this title, the citations shall be considered by the Patent Office.

"(c) The identity of the person making the citations under subsections (a) and (b) of this section shall be kept in confidence by the Patent Office, and no information concerning the same shall be given without the authority of such person, unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Commissioner.

"(d) Any person may notify the Commissioner within three months, or within such longer time as the Commissioner appoints but not more than six months, after publication of an application under section 151 of this title that:

"(1) the invention claimed in such application was in public use or on sale prior to the effective filing date of the application, or

"(2) the inventor named in such application did not himself invent the subject matter sought to be patented.

If such person within the time specified above makes a prima facie showing and offers to present evidence in support of such showing, the matter shall be determined in such proceedings as the Commissioner may establish by regulation.

"(e) A refusal of the Commissioner to reject any claim of an application on the basis of a notification under this section shall not be subject to direct judicial review.

"§ 137. Burden of persuasion

"In all proceedings in the Patent Office in which the patentability of a claim is in issue, the applicant shall have the burden of persuading the Office that the claim is allowable.

"Chapter 13. REVIEW OF PATENT OFFICE DECISIONS

"Sec.
"141. Appeal to Court of Customs and Patent Appeals.
"142. Notice of appeal.
"143. Proceedings on appeal.
"144. Decision on appeal.
"145. Civil action.
"147. Appeal to the United States Court of Appeals for the District of Columbia.
"148. Presumption.

"§ 141. Appeal to Court of Customs and Patent Appeals

"An applicant, or his successor in title, or a patentee dissatisfied with the decision of the Board of Appeals refusing a patent or any claim or cancelling a claim of a patent may appeal to the United States Court of Customs and Patent Appeals, thereby waiving his right to proceed under section 145 of this title.

"§ 142. Notice of appeal

"When an appeal is taken to the United States Court of Customs and Patent Appeals, the appellant shall file in the Patent Office a written notice of appeal directed to the Commissioner, within such time after the date of the decision appealed from, not less than sixty days, as the Commissioner appoints.

"§ 143. Proceedings on appeal

"The Patent Office shall transmit to the United States Court of Customs and Patent Appeals certified copies of all the necessary papers and evidence designated by the appellant and any additional papers and evidence designated by the Commissioner. The Commissioner may appear in court by his representative and present the position of the Patent Office. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Commissioner and the appellant.

"§ 144. Decision on appeal

"The United States Court of Customs and Patent Appeals shall review the decision appealed from on the evidence produced before the Patent Office and transmitted to the court under the provisions of section 143 of this title. The court may, in the case of review of a decision refusing a patent or any claim, adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Appeals. Upon its determination the court shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent Office and govern the further proceedings in the case. In the case of review of a decision rendered under section 257 of this title, the adjudication of the court that a claim of the patent involved should not have been allowed, shall, upon its becoming final, operate to cancel the claim from the patent.

"§ 145. Civil action

"An applicant, or his successor in title, or a patentee dissatisfied with the decision of the Board of Appeals refusing a patent or any claim or cancelling a claim of a patent may, unless appeal has been taken to the United States Court of Customs and Patent Appeals, have remedy by civil action against the Commissioner in the United States District Court for the District of Columbia. Such action shall be commenced within such time after such decision, not less than sixty days, as the Commissioner appoints. The court may, in the case of review of a decision refusing a patent or any claim, adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Board of Appeals, as the facts in the case may appear, and such adjudication shall be entered of record in the Patent Office and govern further proceedings in the case. In the case of review of a decision rendered under section 257 of this title, the adjudication of the court that a claim of the patent involved should not have been allowed, shall, upon its becoming final, operate to cancel the claim from the patent.

"§ 147. Appeal to the United States Court of Appeals for the District of Columbia

"Any party, or the Commissioner of Patents, dissatisfied with the decision of the Court of Customs and Patent Appeals in a proceeding under section 141 of this title may seek a review thereof by the United States Court of Appeals for the District of Columbia Circuit by petition for the allowance of an appeal. The petition shall be in writing and shall be filed with the clerk of said United States Court of Appeals within the prescribed time, the contents of the petition to conform to the requirements which said United States Court of Appeals may by rule prescribe. Said Court of Appeals may prescribe rules governing time for making such petition, the practice and procedure on such petition, the preparation of and the time for filing the transcript of the record in such cases, and generally to regulate all matters relating to appeals in such cases. If said Court of Appeals shall allow an appeal, the court shall review the record on appeal and shall affirm, reverse, or modify the decision in accordance with law.

"148. Presumption

"In all actions under sections 141 and 145 of this title, the Patent Office decisions shall be given a presumption of correctness, and such decision shall be upheld unless it is without substantial basis or not in accordance with law.

"Chapter 14.—ISSUE OF PATENT

"Sec.
"151. Publication and issue of patents.
"153. How issued.
"154. Contents and term of patent.

"§ 151. Publication and issue of patent

"(a) If it is determined that an applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a fee, upon payment of which within the time established, the application shall be published.

"(b) Applications which have been published under section 123 of this title need not be published in full under this section, but in lieu thereof a notice that the application has been allowed together with any changes may be published.

"(c) If no action under section 136 of this title has been taken, and provided the fee prescribed for issuance of a patent has been paid within the time established, the Commissioner shall issue the patent. If an action under section 136 of this title has been commenced, the patent shall be issued after the conclusion of the proceedings if then warranted.

"(d) If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred.

"§ 153. How issued

"Patents shall be issued in the name of the United States of America, under the seal of the Patent Office, and shall be signed by the Commissioner or have his signature placed thereon, and shall be recorded in the Patent Office.

"§ 154. Contents and term of patent

"(a) Every patent shall contain a grant to the applicant, his heirs or assigns, of the right, during the term of the patent to exclude others from making, using, or selling the invention throughout the United Sates, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

"(b) The term of a patent shall expire twenty years from the date of filing the application in the United States or, if the benefit of the filing date in the United States of a prior application is claimed, from the earliest such prior date claimed. In determining the term of the patent, the date of filing any application in a foreign country which may be claimed by the applicant shall not be taken into consideration.

"(c) The term of a patent whose issuance has been delayed by reason of the application having been ordered kept secret under section 181 of this title shall be extended for a period equal to the delay in issuance of the patent after the notice of allowability referred to in Section 183 of this title.

"Chapter 15.—PLANT PATENTS

"Sec.
"161. Patents for plants.
"162. Description, claim.
"163. Grant.
"164. Assistance of Department of Agriculture.

"§ 161. Patents for plants

"(a) Whoever invents or discovers and asexually reproduces any distinct and new variety of plant including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

"(b) The provisions of this title relating to patents for inventions shall apply to patents for plants, except as otherwise provided.

"(c) The provisions of this title relating to any publication of applications under sections 123 and 151 shall not apply to applications for patents for plants.

"§ 162. Description, claim

"No plant patent shall be declared invalid for noncompliance with section 112 of this title if the description is as complete as is reasonably possible.

"The claim in the specification shall be in formal terms to the plant shown and described.

"§ 163. Grant

"In the case of a plant patent the grant shall be of the right to exclude others from asexually reproducing the plant or selling or using the plant so reproduced.

"§ 164. Assistance of Department of Agriculture

"The President may by Executive order direct the Secretary of Agriculture, in accordance with the requests of the Commissioner, for the purpose of carrying into effect the provisions of this title with respect to plants (1) to furnish available information of the Department of Agriculture, (2) to conduct through the appropriate bureau or division of the Department research upon special problems, or (3) to detail to the Commissioner officers and employees of the Department.

"Chapter 16.—DESIGNS

"Sec.
"171. Patents for designs.
"172. Right of priority.
"173. Term of design patent.

"§ 171. Patents for designs

"(a) Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

"(b) The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

"(c) The provisions of this title relating to any publication of applications under sections 123 and 151 shall not apply to applications for patents for designs.

"§ 172. Right of priority

"The right of priority provided for by section 119 of this title shall be six months in the case of designs.

"§ 173. Term of design patent

"Patents for designs may be granted for the term of three years and six months, or for seven years, or for fourteen years, as the applicant, in his application, elects.

"Chapter 17.—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRIES

"Sec.
"181. Secrecy of certain inventions and withholding of patent.
"182. Abandonment of invention for unauthorized disclosure.
"183. Right of compensation.
"184. Filing of application in foreign country.
"185. Patent barred for filing without license.
"186. Penalty.
"187. Nonapplicability to certain person.
"188. Rules and regulations, delegation of power.

"§ 181. Secrecy of certain inventions and withholding of patent

"(a) Whenever publication or disclosure of an invention in which the Government has a property interest might, in the opinion of the head of an interested Government agency, be detrimental to the national security, the Commissioner upon being so notified shall order that the invention be kept secret and shall withhold publication thereof and the grant of a patent under the conditions set forth hereinafter.

"(b) Whenever the publication or disclosure of an invention in which the Government does not have a property interest, might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States.

"(c) Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application. If, in the opinion of the Atomic Energy Commission, the Secretary of a Defense Department, or the chief officer of another department or agency so designated, the publication or disclosure of the invention would be detrimental to the national security, the Atomic Energy Commission, the Secretary of a Defense Department, or such other chief officer shall notify the Commissioner and the Commissioner shall order that the invention be kept secret and shall withhold publication and the grant of a patent for such period as the national interest requires, and notify the applicant thereof. Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Commissioner shall thereupon maintain the application in a sealed condition and notify the applicant thereof. The applicant whose applications has been placed under a secrecy order shall have a right to appeal from the order to the Secretary of Commerce under rules prescribed by him.

"(d) An invention shall not be ordered kept secret and publication withheld for a period of more than one year. The Commissioner shall renew the order at the end thereof, or at the end of any renewal period, for additional periods of one year upon notification by the head of the department or the chief officer of the agency who caused the order to be issued that an affirmative determination has been made that the national interest continues so to require. An order in effect, or issued, during a time when the United States is at war, shall remain in effect for the duration of hostilities and one year following cessation of hostilities. An order in effect, or issued, during a national emergency declared by the President shall remain in effect for the duration of the national emergency and six months thereafter. The Commissioner may rescind any order upon notification by the heads of the departments and the chief officers of the agencies who caused the order to be issued that the publication or disclosure of the invention is no longer deemed detrimental to the national security.

"§ 182. Abandonment of invention for unauthorized disclosure

"The invention disclosed in an application for patent subject to an order made pursuant to section 181 of this title may be held abandoned upon its being established by the Commissioner that in violation of said order the invention has been published or disclosed or that an application for a patent therefor has been filed in a foreign country by the inventor, his successors, assigns, or legal representatives, or anyone in privity with him or them, without the consent of the Commissioner. The abandonment shall be held to have occurred as of the time of violation. The consent of the Commissioner shall not be given without the concurrence of the heads of the departments and the chief officers of the agencies who caused the order to be issued. A holding of abandonment shall constitute forfeiture by the applicant, his successors, assigns, or legal representatives, or anyone in privity with him or them, of all claims against the United States based upon such invention.

"§ 183. Right to compensation

"An applicant, his successors, assigns, or legal representatives, whose patent is withheld as herein provided, shall have the right, beginning at the date the applicant is notified that, except for such order, his application is otherwise in condition for allowance, or February 1, 1952, whichever is later, and ending six years after a patent is issued thereon, to apply to the head of any department or agency who caused the order to be issued for compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Government, resulting from his disclosure. The right to compensation for use shall begin on the date of the first use of the invention by the Government. The head of the department or agency is authorized, upon the presentation of a claim, to enter into an agreement with the applicant, his successors, assigns, or legal representatives, in full settlement for the damage and/or use. This settlement agreement shall be conclusive for all purposes notwithstanding any other provision of law to the contrary. If full settlement of the claim cannot be effected, the head of the department or agency may award and pay to such applicant, his successors, assigns, or legal representatives, a sum not exceeding 75 per centum of the sum which the head of the department or agency considers just compensation for the damage and/or use. A claimant may bring suit against the United States in the Court of Claims or in the District Court of the United States for the district in which such claimant is a resident for an amount which

when added to the award shall constitute just compensation for the damage and/or use of the invention by the Government. The owner of any patent issued upon an application that was subject to a secrecy order issued pursuant to section 181 of this title, who did not apply for compensation as above provided, shall have the right, after the date of issuance of such patent, to bring suit in the Court of Claims for just compensation for the damage caused by reason of the order of secrecy and/or use by the Government of the invention resulting from his disclosure. The right to compensation for use shall begin on the date of the first use of the invention by the Government. In a suit under the provisions of this section the United States may avail itself of all defenses it may plead in an action under section 1498 of title 28. This section shall not confer a right of action on anyone or his successors, assigns, or legal representatives who, while in the full-time employment or service of the United States, discovered, invented, or developed the invention on which the claim is based.

"§ 184. Filing of application in foreign country

"(a) Except when authorized by a license obtained from the Commissioner, a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing a complete application in the United States an application for patent or for the registration of a utility model, industrial design or model in respect of an invention made in this country. A license shall not be granted with respect to an invention subject to an order issued by the Commissioner pursuant to section 181 of this title without the concurrence of the head of the departments and the chief officers of the agencies who caused the order to be issued. The license may be granted retroactively where an application has been inadvertently filed abroad and the application does not disclose an invention within the scope of section 181 of this title.

"(b) The term 'application' when used in this chapter in relation to a United States application means a complete application. The term 'application' when used in this chapter in relation to an application filed in a foreign country includes any modifications, amendments, supplements thereto, or divisions thereof.

"§ 185. Patent barred for filing without license

"Notwithstanding any other provisions of law any person, and his successors, assigns, or legal representatives, shall not receive a United States patent for an invention if that person, or his successors, assigns, or legal representatives shall, without procuring the license prescribed in section 184 of this title, have made, or consented to or assisted another's making, application in a foreign country for a patent or for the registration of a utility model, industrial design, or model in respect of the invention. A United States patent issued to such person, his successors, assigns, or legal representatives shall be invalid.

"§ 186. Penalty

"Whoever, during the period or periods of time an invention has been ordered to be kept secret and the grant of a patent thereon withheld pursuant to section 181 of this title, shall, with knowledge of such order and without due authorization, willfully publish or disclose or authorize or cause to be published or disclosed the invention, or material information with respect thereto, or whoever, in violation of the provisions of section 184 of this title, shall file or cause or authorize to be filed in any foreign country an application for patent or for the registration of a utility model, industrial design, or model in respect to any invention made in the United States, shall, upon conviction, be fined not more than $10,000 or imprisoned for not more than two years, or both.

"§ 187. Nonapplicability to certain persons

"The prohibitions and penalties of this chapter shall not apply to any officer or agent of the United States acting within the scope of his authority, nor to any person acting upon his written instructions or permission.

"§ 188. Rules and regulations, delegation of power

"The Atomic Energy Commission, the Secretary of a defense department, the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States, and the Secretary of Commerce, may separately issue rules and regulations to enable the respective department or agency to carry out the provisions of this chapter, and may delegate any power conferred by this chapter.

"Chapter 18.—DEFERRED EXAMINATION

"Sec.
"191. Initiation of deferred examination system.
"192. Deferment of examination.
"193. Examination.
"194. Examination of related applications.

"§ 191. Initiation of deferred examination system

"Upon the issuance of implementing regulations by the Secretary of Commerce, if he determines such action to be in the public interest, the examination of complete applications may be deferred in accordance with the provisions of this chapter and such regulations. The regulations may apply to all such applications or to such applications in specific classes as may be designated by the Secretary of Commerce, filed after the date specified in the regulations and prior to a termination date specified therein or in a subsequent order, and to further proceedings on such applications.

"§ 192. Deferment of examination

"(a) Notwithstanding the provisions of chapter 12 of this title, the examination of a complete application to which the provisions of this chapter apply shall be deferred unless at the time of filing the applicant requests immediate examination and pays the prescribed fee.

"(b) An application, the examination of which is deferred under the provisions of this chapter, shall be examined as to formal matters and other such matters as the Commissioner may prescribe, and action may be taken under sections 132 and 133 of this title to place the application in condition for publication. Notwithstanding the provisions of section 123 of this title, such application shall be published as soon as practicable, except under such special circumstances as the Commissioner shall prescribe.

"§ 193. Examination

"(a) If a request for examination of an application, the examination of which has been deferred under the provisions of this chapter, accompanied by payment of the required fee is made at any time before the expiration of five years from the earliest effective filing date claimed, such application shall be examined as provided in chapter 12.

"(b) The applicant or any other person may make the request under subsection (a) of this section. Where the request is made by the applicant, he shall pay the full examination fee. Where the request is made by any other person, that person shall pay the basic examination fee on the requested application and the applicant shall pay all other fees including any fee for extra claims. The identity of such other person requesting the examination shall be kept in confidence by the Patent Office and no information concerning the same given without authority of such person unless necessary to carry out the provisions of any Act of Congress or in such special circumstances as may be determined by the Commissioner.

"(c) If no request for examination is received within the time specified in subsection (a) of this section, the application shall be regarded as abandoned.

"§ 194. Examination of related applications

When examination of a deferred application is requested under section 193 of the title, the Commissioner may call upon the applicant to request examination of any other of his applications which may have been deferred and which claim the date of the first mentioned application or any application the date of which is claimed by the first mentioned application and to pay the fee. Notice shall be given the applicant of the fee due and a time of not less than thirty days shall be set for payment. If the fee is paid within the specified time, examination shall proceed on all such applications concurrently. If the fee is not paid within such time, the applications on which the required fee has not been paid shall be regarded as abandoned.

"PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

"CHAPTER Sec.
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"Chapter 25.—AMENDMENT, CORRECTION AND REVOCATION OF PATENTS

"Sec.
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"252. Effect of reissue.
"253. Disclaimer.
"254. Certificate of correction of Patent Office mistake.
"255. Certificate of correction of applicant's mistake.
"256. Correction of named inventor.
"257. Revocation.

"§ 251. Reissue of defective patents

"(a) Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more than he had a right to claim in the patent, the Commissioner shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

"(b) The provisions of chapters 12, 13 and 14 of this title relating to applications for patent shall be applicable to applications for reissue of a patent.

"(c) No reissued patent shall be granted enlarging the scope of the claims of the original patent.

"§ 252. Effect of reissue

"(a) The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are identical with the original patent, shall consitute a continuation thereof and have effect continuously from the date of the original patent.

"(b) No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

"§ 253. Disclaimer

"(a) Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing and recorded in the Patent Office; and it shall thereafter be considered as part of the original

patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

"(b) In like manner any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted.

"(c) The fact that two patents which have been or may be issued expire at the same time by means of a terminal disclaimer or dedication under this section or otherwise, shall have no effect in the determination of the patentability or validity of a claim in either.

"§ 254. Certificate of correction of Patent Office mistake

"Whenever a mistake in a patent, incurred through the fault of the Patent Office, is clearly disclosed by the records of the Office, the Commissioner may issue a certificate of correction stating the fact and nature of such mistake, under seal, without charge, to be recorded in the records of patents. A printed copy thereof shall be attached to each printed copy of the patent, and such certificate shall be considered as part of the original patent. Every such patent, together with such certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form. The Commissioner may issue a corrected patent without charge in lieu of and with like effect as a certificate of correction.

"§ 255. Certificate of correction of applicant's mistake

"Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent Office, appears in a patent, and a showing has been made that such mistake occurred in good faith, the Commissioner may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require reexamination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

"§ 256. Correction of named inventor

"Omission of an inventor's name or inclusion of the name of a person not an inventor, without deceptive intent shall not affect validity of a patent, and may be corrected at any time by the Commissioner in accordance with regulations established by him or upon order of a Federal court before which matter is called in question. Upon such correction the Commissioner shall issue a certificate accordingly.

"§ 257. Revocation

"(a) Any person, or the head of an agency or department of the Government, may, within three years from the issuance of a patent, petition the Patent Office for a determination that a claim of such patent is invalid in view of designated patents or publications. Such petition shall explain the pertinency of the references cited and be accompanied by a fee of $500. The Patent Office shall determine on the basis of such petition whether or not a claim should have been allowed. If the Patent Office determines that a claim should not have been allowed, the owner of the patent as shown by the records of the Patent Office shall be notified and given an opportunity to amend the claim as provided in subsection (b) of this section or to request reconsideration of such determination as provided in subsection (c) of this section, within such time, not less than thirty days, as the Commissioner appoints. If the owner of the patent takes neither such action during the prescribed time, the claim in question shall be cancelled from the patent.

"(b) Upon receipt of the notice specified in subsection (a) of this section, if the patentee elects to amend the claim specified in the notice, he shall file an application for a reissue patent under the provisions of section 251 of this title.

"(c) Upon receipt of the notice specified in subsection (a) of this section, the patentee may request reconsideration before the Board of Appeals whose decision shall be reviewable as provided in chapter 13 of this title. A final decision, from which no appeal has been or can be taken, that the claim should not have been allowed shall operate to cancel the claim from the patent. Neither the denial of a petition under subsection (a) of this section, nor a determination that the claim was properly allowed, shall be subject to direct judicial review.

"(d) Upon a decision by the Patent Office that the claim should have been allowed, a petitioner under subsection (a) of this section may in appropriate cases be required to pay to the patent owner the reasonable cost of defending such claim in the Patent Office, including attorney's fees, not to exceed a total of $1,000, as determined by the Commissioner. The Commissioner may require an appropriate deposit or bond with surety for such cost prior to considering the petition.

"(e) If a claim of a patent is cancelled or amended as provided in this section on the basis of patents or publications which the petitioner previously presented under section 136 of this title, the fee required in subsection (a) of this section shall be refunded.

"(f) If the petition is filed by the head of an agency or department of the Government, the fees and cost prescribed by subsections (a) and (d) of this section shall not be required.

"(g) Nothing contained in this section shall be construed to supersede the jurisdiction of any Federal court or agency, nor to make any proceeding before such court or agency subject to the primary jurisdiction of the Patent Office.

"Chapter 26.—OWNERSHIP AND ASSIGNMENT

"Sec.
"261. Ownership; assignment.
"262. Joint owners.

"§ 261. Ownership; assignment

"(a) Subject to the provisions of this title, patents shall have the attributes of personal property.

"(b) Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writng. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

"(c) A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

"(d) An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagees for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

"§ 262. Joint owners

"In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use or sell the patented invention without the consent of and without accounting to the other owners.

"Chapter 27.—GOVERNMENT INTERESTS IN PATENTS

"Sec.
"267. Time for taking action in Government applications.

"§ 267. Time for taking action in Government applications

"Notwithstanding the provisions of sections 133 and 151 of this title, the Commissioner may extend the time for taking any action to three years, when an application has become the property of the United States and the head of the appropriate department or agency of the Government has certified to the Commissioner that the invention disclosed therein is important to the armament or defense of the United States.

"Chapter 28.—INFRINGEMENT OF PATENTS

"Sec.
"271. Infringement of patent.
"272. Temporary presence in the United States.
"273. Unauthorized practice of subject matter prior to issuance of patent.

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"§ 271. Infringement of patent

"(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

"(b) Whoever, without authority of the patentee, imports into the United States, for purposes of trade or use in trade or industry, a product made in another country by a process patented in the United States shall be liable as an infringer provided patent protection for the process is not available in such country.

"(c) Whoever actively induces infringement of a patent shall be liable as an infringer.

"(d) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

"(e) No patent owner otherwise entitled to relief for infringement on contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which it performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent right against infringement or contributory infringement.

"§ 272. Temporary presence in the United States

"The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft or vehicles of the United States, entering the United Sttaes temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft or vehicle and is not sold in or used for the manufacture of anything to be sold in or exported from the United States.

"§ 273. Unauthorized practice of subject matter prior to issuance of patent

"(a) After the issuance of a patent, a patentee may obtain damages for the unauthorized making, using or selling of the subject matter of a claim in the patent during an interim period prior to issuance of such patent, under the provisions of subsections (b) and (c) of this section and chapter 29 of this title.

"(b) Such interim period shall begin after the occurrence of all of the following events:

"(1) publication of the application containing such claim,

"(2) such claim is indicated as allowable by the Patent Office, and

"(3) actual notice to the alleged unauthorized practitioner that such claim has been indicated as allowable and how his acts are considered to constitute unauthorized practice of the subject matter of such claims,

and shall end upon issuance of the patent.

"(c) Damages for unauthorized practice during the interim period shall be limited to royalties reasonable in the circumstances. No injunction or other relief may be had with respect to the subsequent use or sale of machines, manufactures or compositions of matter made prior to the grant of the patent as to which a notice under this section applies, but reasonable royalties may be obtained.

"Chapter 29.—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS

"Sec.

"281. Remedy for infringement of patent.
"282. Presumption of validity; defenses.
"283. Injunction.
"284. Damages.
"285. Attorney fees.
"286. Time limitation on damages.
"287. Limitation on damages; marking and notice.
"288. Action for infringement of a patent containing an invalid claim.
"289. Additional remedy for infringement of design patent.
"290. Notice of patent suits.
"292. False marking.
"293. Nonresident patentee, service and notice.
"294. Estoppel and cancellation.

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"§ 281. Remedy for infringement of patent

"A patentee shall have remedy by civil action for infringement of his patent.

"§ 282. Presumption of validity; defenses

"(a) A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it.

"(b) The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

"(1) Noninfringement, absence of liability for infringement, or unenforceability,

"(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

"(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

"(4) Any other fact or act made a defense by this title.

"(c) In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

"§ 283. Injunction

"The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

"§ 284. Damages

"(a) Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"(b) When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"(c) The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

"§ 285. Attorney fees

"The court in exceptional cases may award reasonable attorney fees to the prevailing party.

"§ 286. Time limitation on damages

"(a) Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

"(b) In the case of claims against the United States Government for use of a patented invention, the period before bringing suit, up to six years, between the date of receipt of a written claim for compensation by the department or agency of the Government having authority to settle such claim, and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the period referred to in the preceding paragraph.

"§ 287. Limitation on damages; marking and notice

"Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented, either by fixing thereon the word 'patent' or the abbreviation 'pat.', together with the number of the patent, or when, from the character of the article, this can not be done,

by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

"§ 288. Action for infringement of a patent containing an invalid claim

"Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent Office before the commencement of the suit.

"§ 289. Additional remedy for infringement of a design patent

"(a) Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

"(b) Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

"§ 290. Notice of patent suits

"The clerks of the courts of the United States, within one month after the filing of an action under this title shall give notice thereof in writing to the Commissioner, setting forth so far as known the names and addresses of the parties, name of the inventor, and the designating number of the patent upon which the action has been brought. If any other patent is subsequently included in the action he shall give like notice thereof. Within one month after the decision is rendered or a judgment issued the clerk of the court shall give notice thereof to the Commissioner. The Commissioner shall, on receipt of such notices, enter the same in the file of such patent.

"§ 292. False marking

"(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, or sold by him, the name or any imitation of the name of the patentee, the patent number, or the words 'patent,' 'patentee,' or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made or sold by or with the consent of the patentee; or

"Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word 'patent' or any word or number importing that the same is patented, for the purpose of deceiving the public; or

"Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words 'patent applied for,' 'patent pending,' or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

"Shall be fined not more than $500 for every such offense.

"(b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.

"§ 293. Nonresident patentee; service and notice

"Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.

"§ 294. Estoppel and cancellation

"(a) In any action in a Federal court in which the issue of the validity or scope of a claim of a patent is properly before the court, and the owner of the patent as shown by the records of the Patent Office is a party or has been given notice as provided in subsection (c) of this section, a final adjudication, from which no appeal has been or can be taken, limiting the scope of the claim or holding it to be invalid, shall constitute an estoppel against the patentee, and those in privity with him, in any subsequent Federal action, and may constitute an estoppel in such other Federal actions as the latter court may determine, involving such patent. Within thirty days of such adjudication the clerk of the court shall transmit notice thereof to the Commissioner, who shall place the same in the public records of the Patent Office pertaining to such patent, and endorse notice on all copies of the patent thereafter distributed by the Patent Office that the patent is subject to such adjudication.

"(b) In any action as set forth in subsection (a) of this section, upon a final adjudication from which no appeal has been or can be taken that a claim of the patent is invalid, the court may order cancellation of such claim from the patent. Such order shall be included in the notice to the Commissioner specified in subsection (a) of this section, and the notice of cancellation of a claim shall be published by the Commissioner and endorsed on all copies of the patent thereafter distributed by the Patent Office.

"(c) In any action in a Federal court in which the validity or scope of a claim of a patent is drawn into question, the owner of the patent, as shown by the records of the Patent Office, shall have the unconditional right to intervene to defend the validity or scope of such claim. The party challenging the validity or scope of the claim shall serve upon the patent owner a copy of the earliest pleadings asserting such invalidity. If such owner cannot be served with such pleadings, after reasonable diligence is exercised, service may be made as provided for in the Federal Rules of Civil Procedure and, in addition, notice shall be transmitted to the Patent Office and shall be published in the Official Gazette."

TRANSITIONAL AND SUPPLEMENTARY PROVISIONS

SEC. 2. (a) Section 1256 of title 28, United States Code, Judicial Code and Judiciary, is amended to read as follows:

"§ 1256. Court of Customs and Patent Appeals: certiorari

"Cases in the Court of Customs and Patent Appeals, except those capable of review under section 1295 of this title, may be reviewed by the Supreme Court by writ of certiorari."

(b) Title 28, United States Code, Judicial Code and Judiciary, is amended by adding new section 1295 reading as follows:

"§ 1295. Patent Office cases

"The United States Court of Appeals for the District of Columbia Circuit shall have jurisdiction of appeals from decisions of the Court of Customs and Patent Appeals as provided for in section 147 of title 35, United States Code."

(c) The section analysis of Chapter 83—Courts of Appeals, of title 28, United States Code, Judicial Code and Judiciary, preceding section 1291, is amended by adding the following line:

"1295. Patent Office cases."

(d) Section 1542 of title 28, United States Code, Judicial Code and Judiciary, is amended to read as follows:

"§ 1542. Patent Office decisions

"The Court of Customs and Patent Appeals shall have jurisdiction of appeals from decision of:

"(1) The Board of Appeals of the Patent Office as to patent applications and patents as provided in chapter 13 of title 35, Patents, United States Code.

"(2) The Commissioner of Patents as to trademark applications and proceeding as provided in section 1071 of title 15."

SEC. 3. (a) Title 28, United States Code, Judicial Code and the Judiciary, is amended by adding new section 757 reading as follows:

"§ 757. Civil commissioners for patent cases

"(a) When the volume of litigation arising under the patent laws so justifies, the court may appoint one or more Civil Commissioners who shall be subject to

removal by the court and shall devote all of their time to the duties of the office. A Commissioner may be appointed to serve in more than one district.

"(b) Unless otherwise ordered by the court for good cause, such Civil Commissioners shall regulate and control the conduct of all discovery proceedings, preside over any oral examination for discovery of parties, officers, directors and managing agents of associations, preside over any pretrial hearings, and make any necessary orders with respect thereto and as a result thereof.

"(c) Each such Civil Commissioner shall receive basic compensation at the rate of $26,000 per year."

(b) The section analysis of Chapter 49—District Courts, of title 28, United States Code, Judicial Code and the Judiciary, preceding section 751, is amended by adding the following line:

"757. Civil commissioners for patent cases."

SEC. 4. If any provision of title 35 Patents, United States Code as amended by this Act, or any other provision of this Act, is declared unconstitutional or is held invalid, the validity of the remaining provisions shall not be affected.

SEC. 5. (a) This Act shall take effect on the day six months after enactment.

(b) Applications for patent actually filed in the United States prior to the effective date of this Act shall continue to be governed by the provisions of title 35 in effect immediately prior to the effective date, except that any such application still pending eighteen months after its filing date or effective filing date may be published by the Commissioner in accordance with the provisions of section 123 of title 35 as enacted by this Act and except sections 137 and 148 and as provided in subsection (c) of this section.

(c) Section 147 of title 35 as enacted by this Act and sections 1256 and 1295 of title 28 United States Code as amended by this Act shall apply in the case of appeals to the United States Court of Customs and Patent Appeals in which the notice of appeal from the decision of the Patent Office to such court was filed on or after the effective date of this Act.

(d) Complete applications for patent actually filed in the United States within one year after the effective date of this Act and not relying on a prior preliminary application shall continue to be governed by the provisions of chapter 10 and by the provisions relating to interferences in chapters 12 and 13, of title 35 in effect immediately prior to the effective date.

(e) Assistant commissioners of patents and examiners-in-chief in office on the effective date of this Act shall continue in office under and in accordance with their then existing appointments.

(f) The amendment of title 35, United States Code, by this Act, shall not affect any rights or liabilities existing under title 35 in effect immediately prior to the effective date of this Act.

SEC. 6. This Act may be cited as "The Patent Reform Act of 1967."

(Identical measures are H.R. 6043, introduced by Mr. Pepper on February 23, 1967; and H.R. 6975, introduced by Mr. Edwards of California on March 9, 1967.)

Mr. KASTENMEIER. A historic character is given these hearings by the fact that our patent system has remained virtually unchanged over the past 130 years. When this is viewed in the light of the technological revolution, two equally persuasive inferences suggest themselves.

First, the system must have inherent toughness and resiliency to survive so long.

Second, such a venerable institution must surely be susceptible of some improvement.

The subcommittee approaches the proposed revision without any further preconceptions or bias and with the determination to inform itself fully concerning all of the issues.

As Subcommittee Chairman Willis said in announcing these hearings, we wish to afford all interested persons the opportunity of submitting their views on this vital legislation. We are inviting witnesses from the Government; members of the President's Commission on the Patent System; spokesmen for large industrial organizations, small

business, and inventors; and representatives of the scientific and academic world and the patent bar.

These hearings will necessarily consume a substantial number of days. I believe that my colleague from Virginia, Mr. Poff, will join me in saying that—as in the case of the copyright law revision, which the House has just enacted after more than 2 years of careful consideration by this subcommittee—we regard the patent revision not as a partisan issue, but as a challenge to produce sound legislation in the public interest.

We exhort all parties to join us in our effort and to be open minded and receptive to the views and arguments of those with whom they may at present disagree.

The witnesses today are the Honorable J. Herbert Hollomon, Acting Under Secretary of Commerce, and the Honorable Edward J. Brenner, Commissioner of Patents.

They are both very welcome before the subcommittee, and at this time, I would like to yield to my distinguished colleague, with whom I have gone through such a great deal in the past 2 years, concerning copyrights.

Mr. Poff from Virginia.

Mr. POFF. Mr. Chairman, thank you very much for this opportunity to say publicly that so far as I am concerned—and I believe I speak for the other members of the minority on the subcommittee—this will indeed be a bipartisan—more accurately, a nonpartisan inquiry.

It will be full and complete and it will be our purpose to encourage all interested persons to exhaustively examine the subject, so far as his particular theme is concerned, as nearly as possible in his first presentation. As the chairman has indicated, it will not be feasible to continue the hearings over a long period of time. It is important then that the full case be made at the first presentation.

As much as we would like to give every witness the opportunity to make a rebuttal and a surrebuttal, that simply will not be possible. So as you address your subject, bear that in mind, please, and try to deal with all facets of it and if possible, anticipate the position that will be assumed by those who may have a somewhat contrary interest.

As the chairman has said, this proposed legislation is the result of the recommendation of the President's Commission on the Patent System.

The Commission study has highlighted many alleged deficiencies in areas that may need improvement in our patent system. Included in these deficiencies and these areas, are such matters as the unnecessarily lengthy time it takes an inventor to receive a patent; the costly, and sometimes unnecessary legal actions an inventor must undertake to enforce his patent rights, and the expenses an inventor must endure to secure a patent, especially when there are competing plans.

It has also been contended that new scientific and technological advances are being kept within the monopoly of patents far too long to benefit truly the public. It has been observed by others that trade is hindered by the inconsistent patent practices of our country and other industrial nations of the world. To remedy these and other weaknesses,

and outdated sections of our patent system, if indeed, there are such, H.R. 5924 would substantially alter the method by which a patent may be obtained; the procedure for examining and testing the validity of a patent claim; the timing of a patent application, publication and judicial consideration of all patent matters.

H.R. 5924 is comprehensive; it is complex; many of its proposals are basic in concept, and are necessarily controversial in character.

At the outset of these hearings, I hope I might allay the alleged fears of those who would be affected by the reforms under consideration.

This subcommittee will, I assure you, proceed most carefully and deliberately. There is no disposition whatever to push or rush this proposal through the House of Representatives without fully hearing and considering all of its implications and its import.

Those who would hold any doubt need only look at the recently completed work of this subcommittee on copyright law revision. I am sure this subcommittee will give patent reform the same careful consideration.

May I also urge all of those interested who are affected by this proposal to make a particular effort to clarify their positions on the proposed patent reform, and to make every effort to become aware of the positions and convictions of those who appear to be in a conflicting posture.

I am hopeful that as we proceed, the controversies which are so obvious today, may be resolved tomorrow, and that it will happen because of the efforts of the parties themselves.

Those who were present when this subcommittee began the copyright hearings, doubted that it would ever be possible to resolve the many controversies which were then apparent, but over the course of the hearings, the parties themselves were persuaded to move together and resolve their own difficulties.

To a large extent, when the bill went to the floor, those difficulties were resolved. Some areas of controversy, of course, remained and many will remain when the patent bill goes to the floor, but it will be in the interest of the parties in interest, if they, themselves, try to solve their own problems.

Mr. KASTENMEIER. The gentleman from California?

Mr. EDWARDS. No, thank you.

Mr. KASTENMEIER. The gentleman from Delaware?

Mr. ROTH. No, thank you.

Mr. KASTENMEIER. Dr. Hollomon, I invite you to proceed, if you will identify your colleagues at the table for the record.

Dr. HOLLOMON. Mr. Chairman, I am delighted to be here this morning. On my left is Commissioner Brenner, the Commissioner of the Patent Office; on my right is Gerald Mossinghoff, who is engaged in general matters of legislation within the Patent Office.

We have this morning, two statements; one from me, and then one from the Commissioner.

If it be consistent with the chairman's wishes, I would like to proceed with mine and questions, then have Commissioner Brenner proceed, if that is satisfactory.

Mr. KASTENMEIER. You may proceed, Dr. Hollomon.

STATEMENT OF J. HERBERT HOLLOMON, ACTING UNDER SECRETARY OF COMMERCE, ACCOMPANIED BY EDWARD J. BRENNER, COMMISSIONER OF PATENTS, AND GERALD J. MOSSINGHOFF, DIRECTOR, OFFICE OF LEGISLATIVE PLANNING, U.S. PATENT OFFICE

Dr. HOLLOMON. Before going into my formal testimony, I would like to comment on the chairman's comments and on Mr. Poff's comments.

It has been our intent to press to get this matter before the Congress for we are convinced that the matter, as important as the patent system reform, should be one in which the Congress takes active interest and in which the matter is resolved before the Congress. Having gotten to that position, it is our hope that the issues can be resolved in open hearings, and in an appropriate consideration of other people's views.

We are deeply concerned that the patent system does in fact, need reform. We think that it needs reform for several reasons. One is the fact of getting more reliable protection for inventors and innovators in the United States, but perhaps even more important, to recognize the U.S. position with respect to world affairs and world trade, and this is beyond and above domestic issues which affect the domestic industry directly or the patent bar.

So with that introduction, I appreciate very much the opportunity to be here today to testify in support of "the Patent Reform Act of 1967," H.R. 5924. Accompanying me, as I said, is Mr. Brenner, and he will discuss in some detail the key provisions of the patent reform bill.

The patent reform bill, transmitted by the President to the Speaker of the House of Representatives on February 21, 1967, is designed to aid this country's economic growth by strengthening and modernizing the U.S. patent system to cope with today's problems and tomorrow's challenges.

The patent system has played an indispensable role in the scientific achievements and economic growth of this Nation. In a literal sense, the history of this country's economic and social progress is recorded in the more than 3 million U.S. patents issued by the Patent Office.

From the patenting of the cotton gin by Whitney in 1794 to the development and perfection of xerography by Chester F. Carlson in modern times, the patent system has spurred the creative and ingenious work of inventors and scientists; and it has stimulated American business to translate this work into products and processes that have enriched our lives. It has helped to create whole new industries, and to increase innovation and competition in existing industries. It has fostered the most revolutionary scientific and technological advances in the history of civilization, and it has thereby contributed to the social and economic gains not only of the United States but of the world at large. In short, the patent system has in the past served well its constitutional purpose: "To promote the progress of science and the useful arts."

But if the patent system is to continue to serve as an effective instrument of progress it must be strengthened to cope with the challenges foreseeable in the decades ahead. It must keep pace with the technological advances it has served to foster.

In the last two decades, the United States has gone from a nation which was not a leader in science and technology, to one in which we are the leading nation of the world, and it is that fact perhaps more than any other that requires a reconsideration of the basis of the patent system reform. There is serious concern that the patent system has not kept pace with technological advances.

The criteria and procedures for examining and issuing patents were established in 1836 and have remained fundamentally unchanged in the intervening years. Meanwhile, we have undergone a dramatic transformation, creating and utilizing an enormously complex technology, to emerge as the world's most productive industrial community.

We have progressed from a basically agrarian economy, through the industrial revolution, into the maturing years of the space age. Men have the tools today to do in moments what previously was impossible or took years to accomplish. Giant rockets free man for the first time from the confines of the earth, while miniaturization makes possible electronic prosthetic implants to save lives here on earth. Pharmaceutical advances have dramatically increased the span of man's life, while microbiological studies explore into the very nature of life itself. Never before has man been able to unlock so many secrets of nature and to apply the knowledge acquired with such meaningful results.

All of this intensifies the need for an effective and up-to-date patent system, while at the same time increasing the difficulties which must be overcome.

The world's scientific and technical information, which must be reviewed by the Patent Office prior to the grant of a patent, is being generated in such quantity that it is becoming unmanageable by conventional storage and retrieval methods. And as technology becomes more sophisticated, disclosures must become increasingly complex. All of this makes more difficult the task of the Patent Office in determining which inventions are really new and which are obvious modifications of existing technology.

What has been called the technology explosion is reflected in the number and complexity of patent applications. Despite the streamlining of methods and procedures in the Office, and despite the cooperation of the patent bar in expediting the examination of patent applications, the Patent Office still has a backlog of approximately 200,000 pending applications. The average period of pendency of a patent application from its filing until its final disposition is now about two and a half years, with a substantial number of applications pending 3 or more years. And under present law, once an inventor satisfies the legal requirements for a so-called reduction to practice of the invention, he has in effect an indefinite period of time in which to file a patent application and claim, against competing applicants, that he is the first inventor. As a matter of fact, under this procedure, he may delay the publication and issuance of the patent, to any degree which he determines is appropriate.

These delays in the Patent Office and in filing of the application cause uncertainties for businessmen who must rely on patents. More seriously, in my view, they retard the public disclosure of technological advances, which is a major constitutional objective of the patent sys-

tem. And a system which permits patents to be granted without timely public disclosure of the inventions cannot be either fair, equitable, or in this general thrust of the constitutional aim of the patent system.

The sharp increase in patent applications filed in this country and worldwide in the last decade, is due not only to the accelerated pace of scientific and technological progress; it reflects also the unprecedented expansion of international trade and the requirement of companies to obtain patent protection coextensive with their international markets. This has resulted in multiple filings of patent applications on the same invention in more than one country.

Roughly half of the estimated 650,000 patent applications filed worldwide each year are duplicates or substantial duplicates of other applications filed elsewhere. It is estimated that in 1972, of the 100,000 patent applications which will be filed in this country, 30,000 will originate abroad and be duplicates of foreign-filed cases. And in turn, 30,000 of the 70,000 applications originating in this country will be filed in an average of five foreign countries, giving rise to an additional 150,000 applications worldwide.

Not only is there unnecessary duplication of effort in prosecuting and examining applications for the same invention in more than one country, companies and individuals seeking protection for their inventions must make their way through a complex maze of divergent patent laws and procedures.

These factors increase the cost of securing multinational patent protection and thus serve as an artificial barrier to international trade.

And I would like to say parenthetically, that the foreign filer in this country, from a practical viewpoint, does not have the same rights nor the same rules of the game applied to him as a domestic filer for a patent. Because acts abroad cannot be proved to establish a date of invention, a foreign applicant is normally limited to the time of his first filing in the foreign country, while the date of a domestic inventor's invention goes to the time of first invention. This has given rise to the charge that we discriminate against the foreigner, and it is my view, having just returned from a meeting of OECD countries in Europe so concerned with our technological lead, that this kind of discrimination will call for other kinds of discrimination against us.

Concern that the patent system is inadequately equipped to deal either with the ever-accelerating rate of technological development or with the expansion of world trade, has led some commentators to question the very need for a patent system in today's context.

Adopting a far more realistic approach, the President, in 1965, established a commission of leading citizens to analyze the contemporary needs of the patent system and to suggest any necessary modifications and improvements.

Prior to the establishment of the President's Commission, the Commission of Patents, with the approval of the Secretary of Commerce, had instituted a series of administrative reforms—referred to as "streamlined examination"—to simplify Office procedures and reduce unnecessary delays in obtaining a patent. These reforms have increased by more than 25 percent the disposal of patent applications and reduced by an average of 6 months the time required to process patent applications. But these administrative reforms do not represent a long-

range solution to the problem. It was clear when the Commission was established, and it is clear today, that more must be done—that basic revisions of the system are essential for it to serve effectively to stimulate the development and public disclosure of new technology and to provide incentives, rather than barriers, to international trade.

By Executive Order No. 11215 issued April 8, 1965, which is attached to the testimony, which established the Commission, the President charged this Commission with a duty:

To ascertain "the degree to which our patent system currently serves our national needs and international goals"; and

To recommend to the President "steps to insure that the patent system will be more effective in serving the public interest in view of the complex and rapidly changing technology of our time."

Ten of this Nation's leading citizens representing the business, scientific, and academic communities and the bar served on the Commission together with representatives of the Secretary of Commerce, the Secretary of Defense, the Administrator of the Small Business Administration, and the Director of the National Science Foundation. The Secretary of State and the President's Science Adviser were observers and they were also represented on the Commission.

Dr. Harry Huntt Ransom, chancellor of the University of Texas, and Simon H. Rifkind, a retired Federal judge and noted trial attorney, served as Cochairmen of the Commission.

The list of public members of the Commission is included in the testimony.

The Commission invited comments on the patent system from bar and patent law associations, business and trade associations, universities, scientific and engineering societies, and the public at large. Prior to the establishment of the Commission, Senator McClellan of the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee, had solicited the views and evaluations of the patent system from our Nation's leading corporations, inventors, economists, and the patent bar, and these were made available to the Commission.

A special committee of the American Patent Law Association, established to study the U.S. patent system, submitted a comprehensive report to the Commission containing a number of recommendations which were considered and some ultimately adopted by the Commission. A similar special committee of the American Bar Association Patent Section, as well as many local patent law associations, supplied much useful information to the Commission and its staff.

All of the comments received were carefully considered by the Commission both in making its choice of areas to be studied, and in later deliberations in these areas.

After more than a year of intensive study, the Commission submitted its report to the President. This report is available to the committee.

The members of the Commission were unanimous in their conclusions that "a patent system today is capable of continuing to provide an incentive to research, development, and innovation" and that there is "no practical substitute for the unique service it renders."

After identifying broad areas where improvement was necessary, the Commission formulated an integrated plan of 35 recommendations,

most of which are closely interrelated, to bring about what it decided was a long-overdue modernization of the patent system.

In releasing the report of the Commission last December, the President referred it to the Department of Commerce, the Department of Justice, and to his Science Adviser to consider it carefully and to develop legislative proposals to carry out its objectives. The Patent Reform Act of 1967 is the result of this review, and it incorporates most of the Commission's recommendations, but not all of the Commission's recommendations.

A sectional analysis of how H.R. 5924 would change present law was forwarded by the President with the bill and appears in House Document No. 59. Commissioner Brenner will discuss in some detail the major provisions of the bill, how these provisions will be implemented, and how they will contribute to the Commission's report and the bill.

Broadly stated, the purposes of the bill are:

(1) To raise the quality and reliability of U.S. patents;

(2) To reduce the time and expense of obtaining and protecting a patent;

(3) To speed the public disclosure of scientific and technological advances; and

(4) To bring the U.S. patent system more closely into harmony with those of other nations, whenever consistent with the objectives of the U.S. patent system, as an indispensable step toward closer international cooperation in the protection of intellectual property.

I would like to say now, and I would like to emphasize later, that it is our belief that an international system can be developed which would reduce in substantial degree this obvious costly duplication, if we can have a system which is more compatible with other nations' systems. We can have this while not giving up the strength of our own system. I think that this committee should give the most careful consideration to this matter.

Each of the recommendations of the Commission adopted in the bill contributes to one or more of these objectives; and a number of the provisions of the bill contribute directly to achieving all of the goals. Let me illustrate this point in the context of what is perhaps the most significant and far reaching, and perhaps most controversial, of the Commission's recommendations and that is the recommendation that the United States adopt a first-to-file system of priority.

Under present law, patents are theoretically issued to the first person to "complete" an invention, in the legal sense of the term, and in cases where there are competing claims to an invention, the issue of who invented first is resolved in what is called an "interference procedure." The issue turns substantively on an interplay of a number of technical legal criteria involving "conception" of the invention, "actual reduction to practice" and "constructive reduction to practice" of the invention, "diligence" of the parties, and "abandonment, suppression, or concealment" of the invention by the parties. The parties to an interference attempt to prove their case through oral testimony and whatever supporting documents and physical exhibits may be available. The procedural complexities and the strict requirements of proof imposed reflect a legitimate concern that where dates are not officially recorded, there may be a tendency for a self-serving interpretation of past events by the parties to an interference.

Interference proceedings can be, and typically are, long and drawn out. In one celebrated case, the interference proceeding consumed over 20 of the 23 years an application was pending in the Patent Office. While this, of course, was unusual, a study of 647 interference proceedings indicated an average delay of 534 days.

More serious than the delays in the Patent Office, however, is the fact that under the present system, an inventor who has "completed" an invention may have no sense of urgency at all in filing a patent application. Instead, he may delay filing an application until someone else either publishes the invention or in good faith obtains a patent on the invention. The "first" inventor then has a 1-year period in which to file an application claiming that he, and not the one who took active steps to make the invention available to the public—which is the quid pro quo for which we grant the monopoly—is the "first" inventor, and therefore, entitled to the patent. Under present law, he may succeed in his claim.

These factors led the Commission to conclude that where there are competing claims to the same invention it would be far more equitable to award the limited monpoly which a patent confers to the inventor "who first appreciated the worth of the invention and promptly acted to make the invention available to the public." Since the first step in making the invention available to the public under the patent system is the filing of a patent application, the Commission recommended, and H.R. 5924 would establish, a system which gives a patent to the first to file the application.

To provide inventors with a reasonable period of time in which to develop and test their inventions, inventors would be permitted to file an informal technical disclosure of an invention for a nominal fee, for example $10, to establish an early legal filing date. As will be explained by the Commissioner, this preliminary application could then be perfected within 1 year by the filing of a formally prepared patent application which would date back to the date of the "preliminary application."

Now, this particular "preliminary application" then establishes the date to which the invention is entitled. A foreigner, relying on the date of his foreign filed case, would be treated in exactly the same way as the domestic applicant. Further, the application would not have to be filed through a complex legal proceeding.

The first-to-file system proposed would increase the quality and reliability of U.S. patents and thereby contribute to the first objective of the bill. It would accomplish this, first, by removing the uncertainties which necessarily arise when events and dates prior to filing an application are proved by oral testimony or affidavits, and secondly, by removing the defense of "prior inventorship" which can now be urged by someone who took no active steps to make his invention available to the public. Of course, as an overriding consideration, the person who is awarded a patent must be a true inventor or originator and not a copier of the invention.

The point is here, under the present system, a patent may be granted and the person has no idea whatsoever whether or not the patent has any reliability at all. It may be challenged by anyone else who believes himself to be the first inventor of the patented invention but who has not divulged the invention to the public.

In terms of the constitutional thrust of the patent system, this is, I say, inherently unfair.

As a practical matter, only a small permentage of applications actually become involved in these interferences—currently approximately 2,400 of the 204,000 applications pending in the Office, or less than 2 percent, are in interference proceedings—but the fact that we now operate on a "first to invent" basis casts a cloud of invalidity over every single patent that is issued, since an infringer may always contend that he or someone else was the first inventor. This reduces the worth of a patent to businessmen who should be able to place reliance on it being sustained in court.

The first-to-file system complemented by the preliminary application approach, will also achieve the second of the bill's objectives by reducing the time and expense of obtaining and protecting a patent. In addition to eliminating the burdensome interference practice, such a system will obviate the necessity for the elaborate recordkeeping now employed by knowledgeable or sophisticated companies either to support their own patents or to use as a defense against the patents of their competitors. A corollary of this is that the proposed system will remove the presently existing bias against individuals and small companies who are unfamiliar with the "ground rules" as to which records will be effective in proving prior inventorship and which will not meet the required procedural standards.

Once in my earlier life, before coming to the Government, I was in charge of a large research laboratory and the amount of records that had to be kept in order to prove at some future date that somebody was the inventor was simply enormous. These kinds of records, and the legal counsel that we had available to us, were certainly not available to the small inventor and the small businessman who was operating in the same area.

The prelimnary application technique, of course, will be of obvious advantage to small businesses and individual inventors who may wish to establish an early filing date, but who are not ready to pay the substantial fees for the preparation and filing of a formal patent application.

The recommended system of priority, coupled with the publication of patent applications within 24 months after filing—Commissioner Brenner will discuss this latter point in more detail—will achieve the third of the bill's purposes by accelerating the public disclosure of scientific and technological advances. As I noted earlier, under the present law, there is no requirement that an inventor promptly file a patent application on a "completed" invention so long as he has not actually "abandoned, suppressed, or concealed it." Moreover, patent applications are now maintained in secrecy by the Patent Office until a patent is issued, and this can, and frequently does, occur many years after the filing of an application. In the more leisurely days of yesterday, these delays may not have been critical; in today's fast-moving scientific world, they are intolerable.

Those who have expressed opposition to the Commission's recommendations base their opposition in part on the premise that the patent system was intended under the Constitution to secure an inventor's natural or moral rights to his invention. Those who take this position either overlook or ignore the fact that the Supreme Court has empha-

sized the Constitution makes no provision for the moral or inherent rights of the inventor. In tracing the history of the U.S. patent system, Mr. Justice Clark, speaking for a unanimous Supreme Court in *Graham* v. *John Deere Corp.*, was clear and precise in the conclusion that "the patent monopoly was not designed to secure the inventor his natural right in his discoveries. Rather, it was a reward, an inducement, to bring forth new knowledge." The patent system was indeed intended to serve the interests of scientists and inventors; but overriding this, the system was intended to serve the interests of the public; the interests of the public being served by the publication of the results of the invention and the present system makes inordinate delays of such publication.

The proposed revisions of the patent system—and especially those provisions which I have mentioned—will by design necessitate prompt filing of patent applications by inventors, and it will require publication of these applications by the Patent Office within 24 months. By so doing, it will better serve an overriding constitutional objective of the patent system.

This brings me to the final objective of H.R. 5924, and that is to bring the U.S. patent law and practice more closely into harmony with those of other nations as an indispensable step toward closer international cooperation in protecting intellectual property.

Before discussing this objective, I would like to emphasize that each of the major provisions of H.R. 5924 is intended to improve the U.S. patent system and would be actively supported if this were the only country in the world. They take on an added dimension, however, in the context of international patent practice.

As I mentioned earlier, 60,000 of the estimated 100,000 applications which will be filed in the United States in 1972 will have one or more duplicate applications filed in other countries. Under current international practice, each of these applications will be searched and examined in each country which requires a search or examination, individually, as if no search or examination were being performed in other countries on the same invention.

This multiple filing and examination has clogged the dockets of the patent offices of the world; it causes wholly unnecessary expense for inventors and businessmen engaged in international trade; and it has created what has been referred to as the international patent crisis.

There is an International Convention for the Protection of Industrial Property, referred to as the Paris Union, which affords to citizens of the member countries the right to file patent applications in the other countries and to be treated the same as nationals. It also affords citizens of member countries the right to rely for priority purposes, under certain circumstances, upon the date of the first filing in any member country. The United States, along with 76 other countries, is an adherent to the Paris Union.

In contrast to the international protection afforded in the copyright area under the Universal Copyright Convention, the Paris Union does not provide for the international recognition of patents issued by member countries; nor does it provide for a single filing, search and examination of applications filed internationally.

Active steps are now being taken by the Secretariat of the Paris Union, with the active support and cooperation of the United States

and the other leading industrialized countries, to explore ways of improving international cooperation.

A long-range goal of this country and other nations of the world is an international patent system which would reduce unnecessary duplication in filing and examining patent applications. The objective is to provide incentives on an internatonal scale for creativity and innovation which are essential for the economic development of all people. The first-to-file and other provisions of H.R. 5924 take on added significance in the context both of our immediate plans for international cooperation and this long-range goal.

Of the 76 member countries to the Paris Union, only three, the United States, Canada, and the Philippines, base priority on a first-to-invent basis. And a royal commission in Canada, empaneled to study their patent system, strongly urged in 1960 that Canada amend its laws to award priority on a first-to-file basis. And I would say parenthetically, that Canada would find great difficulty in implementing this recommendation unless we took similar steps because of the closeness and proximity today.

With respect to one of the fundamental premises of patent protection, therefore, the United States is not in step with the rest of the world. This, perhaps now and surely in the future, would be a major obstacle to full participation by the United States in any really meaningful multinational patent system.

I have emphasized, and perhaps overemphasized, the first-to-file provision of this bill. I have done this, first, because this provision is one which contributes materially to all four of the objectives of the legislation; and secondly, because it affords an insight into the approach of the Commission; it demonstrates clearly the public policy factors considered by the Commission in shaping this and the other equally significant recommendations.

As noted by the President in his letter of transmittal, H.R. 5924 contains a series of far-reaching and fundamental proposals which will, in the President's words, "serve the interest of all Americans, as the Constitution mandates, by promoting the progress of science and the useful arts in the decades ahead." We therefore strongly urge enactment of this important legislation.

We welcome this opportunity, Mr. Chairman and members of the committee, to express our views on the patent reform bill and we would be pleased to provide any additional assistance or advice desired by the committee in its study of this matter.

Mr. POFF. Mr. Chairman.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. May I suggest that inasmuch as the next witness is likely to cover much of the same ground that many of the questions which we would direct to you would be better put perhaps, to the next witness. On the other hand, testimony by the other witness may prompt us to inquire of you about a matter within your particular purview and therefore, Mr. Chairman, I believe it might expedite the proceedings if we just proceed to the next witness and reserve questions until both testimonies are concluded.

Dr. HOLLOMAN. Mr. Chairman, I would be glad to wait, if that is your pleasure.

Mr. KASTENMEIER. All right. You may proceed, Mr. Brenner.

STATEMENT OF EDWARD J. BRENNER, COMMISSIONER OF PATENTS

Mr. BRENNER. Thank you, Mr. Chairman.

As Dr. Holloman has stated, the patent reform bill will bring about the first major revision of the U.S. patent system in more than 130 years. The bill contains a number of significant provisions. These complement and reinforce each other in many respects, so that taken together, they achieve three major objectives of the bill. These provisions will also pave the way for closer international cooperation which ultimately will reduce the workload of the patent offices of the world, and reduce materially, the costs of securing international patent protection.

In the time available this morning, it will be difficult to review in detail all of the features of H.R. 5924. Instead, I propose to explain the key provisions of the bill, how they would change existing law, and how they would be implemented. This will give the subcommittee an overview of the bill and the President's Commission's plan, and afford a basis for more detailed questions and discussion.

It may be useful at the outset to contrast the type protection afforded by the patent laws with that provided by the copyright laws. Copyright protection is generally characterized as subjective in nature. An author may obtain a valid copyright on his book if the work is an "original work of authorship." As stated in the report accompanying the copyright law revision, H.R. 2512, "This standard does not include requirements of novelty, ingenuity, or esthetic merit." Also, two authors may obtain valid copyrights on essentially the same work so long as one did not copy from the other. By the same token, the exclusive rights conferred by the "bundle of rights" that is a copyright are subjective in that they do not apply to original works of other authors which were not derived or copied from the copyrighted work.

In contrast to this, to be patentable under the patent laws an invention must meet an objective standard. It must be new, useful, and unobvious over existing technology—what the patent specialists refer to as "prior art"—whether or not the inventor was actually aware of this prior art. Also, only one patent may be issued on the same invention. Consistent with this, a patent confers the right to exclude others from making, using or selling the patented invention, and this right extends to all manufacture, use or sale of the patented invention, within the United States, whether or not the infringer actually knew of the patent or the patented device.

Although founded upon the same constitutional provision, article 1, section 8, clause 8, copyrights and patents are based upon essentially different theories of protection. Each, of course, is intended to stimulate creative work and foster public disclosure of this work.

The patent reform bill is intended to enhance the effectiveness of the patent system in achieving this objective.

As President Johnson noted in transmitting H.R. 5924 to the Congress, its purposes are:

1. To raise the quality and reliability of U.S. patents.
2. To reduce the time and expense of obtaining and protecting a patent.
3. To speed public disclosure of scientific and technological information.

The President also noted that "these changes will accomplish another important objective—they will bring the U.S. patent system more closely in harmony with those of other nations."

Although each provision of the bill is part of an integrated plan which in sum achieves the objectives of the bill, it would perhaps be helpful to discuss the major provisions of the bill in the context of the individual objectives of the bill.

A number of the recommendations of the President's Commission on the Patent System, which are included in H.R. 5924, are designed to improve the quality and reliability of U.S. patents. Greater reliability, which results from high quality in the issuance of patents together with public recognition of this high quality, will result in greater respect for patents on the part of both potential infringers and the courts. This, in turn, hopefully will reduce the extent to which litigation is necessary to enforce patent rights. Such patents would become more akin to hard currency rather than mere licenses to sue.

To reduce the likelihood of issuing patents which will later be declared invalid in the courts, under sections 136 and 151 of the bill, third parties would be permitted—prior to the issuance of a patent—to submit evidence to the Patent Office that the patent should not be granted. Under present law, patent applications are maintained in secrecy until a patent is issued. Section 151 would require publication of an application after the case is found to be allowable but before the grant of a patent. Section 136 would then give third parties, during a period of from 3 to 6 months, the right to argue that a patent should not be issued either because of "prior art" or because the inventor named in the application derived the invention from someone else. This will supplement the information now available to the examiner in deciding whether to issue a patent.

Another key provision of the bill in upgrading the quality of U.S. patents is section 137 which would provide that whenever the patentability of an invention is in issue before the Patent Office, "the applicant shall have the burden of persuading the Office that the claim is allowable." This would overrule the so-called rule of doubt now followed by the Court of Customs and Patent Appeals—one of the two appellate courts which review Patent Office decisions—under which doubts as to the patentability of an invention are resolved in favor of an applicant. The President's Commission felt that resolving doubts in favor of applicants for patents would inevitably down grade the worth of patents.

Section 148 of the bill would provide that after a patent examiner and a three-member panel of the Patent Office's Board of Appeals have refused an applicant's claim, this decision "shall be given a presumption of correctness, and such decision shall be upheld unless it is without substantial basis or not in accordance with law."

Under present law there are two routes of appeal from Patent Office decisions: An applicant may either file a civil action in the District Court for the District of Columbia under 35 U.S.C. 145 or he may seek direct appellate review, on the record, in the Court of Customs and Patent Appeals, referred to as the C.C.P.A.

Under this dual line of review, therefore, the Patent Office may, and often does, find itself faced with conflicting interpretations of the law. And of course, as a practical matter, an applicant will choose that line of review most favorable to his position.

To eliminate possible conflicts in interpretation, the Commission recommended, and H.R. 5924 would provide, in section 147, that, in patent cases, decisions of the C.C.P.A. as well as those of the district court be subject to review by the Court of Appeals for the District of Columbia.

In section 12 of the bill the Commissioner of Patents is directed to "conduct a program of research and development to improve and expedite the handling, classification, storage, and retrieval of patents and other scientific and technical information." As stated by President Johnson:

> As the world's library of scientific and engineering information increases and as inventions become more complex, conventional information retrieval systems are becoming roadblocks to rapid and effective patent searches. These roadblocks must be eliminated through expanded research and development and increased international cooperation.

Under section 15 of the bill, a Statutory Advisory Council would be established to provide a continuing appraisal of how the patent system is serving the public interest. This Council would report to the Secretary of Commerce on, among other things, the quality of U.S. patents. This would dovetail with the quality control program of the Patent Office already established along the lines suggested by the Commission.

Feeling strongly that all inventions should be required to meet a high standard of novelty, utility, and unobviousness, the President's Commission recommended that patent protection not be granted for plants, ornamental designs, or computer programs. The Commission concluded that this subject matter cannot be readily examined for adherence to these criteria.

Plants and designs are currently patentable under special provision of title 35. The Patent Office has taken the view that computer programs are not patentable under present law, and no patent has been issued on a computer program per se. Section 106 of the bill would codify this interpretation by providing that computer programs are not patentable. Studies are now being made, as suggested by the Commission, on possible alternate means for protecting designs and plants. Meanwhile, sections 161 to 164 and 171 to 173 would continue to provide patent protection in these areas.

As Dr. Hollomon noted, the establishment of a first-to-file system of priority, principally in section 102 of the bill, would reduce the time and expense of obtaining a patent by obviating the costly and time-consuming "interference procedure" now being used when two persons claim to be the first inventor of the same invention. Millions of dollars in legal and technical resources would be saved the public for other uses. It would also reduce to some extent the witnessed record-keeping which companies and individuals must now practice to establish their dates of inventorship either to sustain their patents or to invalidate those of other concerns.

Also, the establishment of a first-to-file system in the United States will make easier our participation in current plans for international cooperation as well as the eventual adoption of a multinational patent system. This will materially reduce the time and expense of obtaining international patent protection.

Dr. Hollomon also mentioned the "preliminary applications" which would be authorized under sections 111 and 120 of the bill. These could be informal technical disclosures of an invention filed with a nominal fee, for example $10, to secure an early legal filing date. Under current practice, only formally prepared patent applications may be filed. An applicant typically must spend several hundred dollars in attorney's fees to have this prepared, and must pay a filing fee which averages approximately $85.

In connection with the adoption of a first-to-file system of priority, the Patent Office is now considering the feasibility of amending its rules to provide that the filing date of patent applications and papers would be the date they were deposited with a U.S. post office as registered mail; provided, of course, they meet all legal requirements.

Operationally, the Patent Office would receive "preliminary applications," record their date of filing and store them. Applicants wishing to perfect their patent applications would then have 1 year in which to file a "complete application" complying with present formal requirements. If after a year, the person filing a preliminary application did not file a complete application and claim the prior date of the preliminary, the preliminary application would be destroyed.

The 1-year period between the preliminary and complete application could be used for further research, and any resulting improvements could be included in the complete application when filed. More than one preliminary application could be filed by an applicant, each one adding new disclosure with its own filing date as the invention is developed or modified; and all of these could be combined into a single complete application filed within 1 year of the earliest preliminary application relied upon.

Under the present 35 U.S.C. 102(b), an applicant has an absolute 1-year grace period following publication, use, or sale of an invention in which to file a patent application. It does not matter under existing law whether the publication, use, or sale is by the inventor or by third parties. The new section 102 of the bill would eliminate this grace period in favor of the preliminary application approach.

During the period which follows the filing of a preliminary application, an inventor may publicly discuss, seek support for, or market-test an invention, prior to expending the time and funds needed to prepare and file a formal application. In effect, then, the preliminary application provides a substitute for the 1-year grace period, following an inventor's publication, use, or sale of this invention, during which he may file an application. An important difference, and a positive benefit to U.S. inventors, is that the date of the preliminary application will be recorded by the Patent Office; an inventor need not prove his date of invention by oral testimony or unofficial documents. Even more important, with the preliminary application conferring a filing date, an inventor's subsequent public disclosure will not destroy the availability of foreign patent rights, as now happens when an inventor publishes his invention during the "grace period" prior to the filing of an application.

To protect an inventor from losing his patent rights upon publication of his invention by someone having an obligation not to disclose it, section 105 of the bill would provide that such an "unauthorized" dis-

closure will not bar a patent so long as a complete application is filed within 6 months of the disclosure.

To encourage diligent prosecution of patent applications, and to discourage delays in the Patent Office, the term of a patent, now 17 years from the grant of a patent, would be measured from the date of filing an application for patent rather than from the date of issuance of a patent; but this term would be increased under section 154(b) of the bill to 20 years. In instances where a patent grant was delayed because of national security reasons, the term of the patent under section 154(c) would be increased to take this delay into account.

When an applicant relied upon the filing date of a previously filed application—for example, a foreign-filed case or a preliminary application—he would be required under sections 119 and 120 of the bill to claim this date at the time of filing the later application so that the Patent Office would know at the outset what would constitute prior art against the application. This, too, would tend to expedite search and examination.

To simplify filing for patents resulting from organized and cooperative research and development, the owners of inventions, as well as inventors, would be permitted under section 111(a) to file patent applications. Also, under sections 111(d) and 256, in any application or patent, omission of an inventor's name or inclusion of the name of one not an inventor, without deceptive intent, may be corrected at any time.

Patents typically contain a number of "claims," each defining the invention in varying terms. Section 116(b) simplifies the present requirement where an invention resulted from the work of two or more inventors, by providing that "it shall not be necessary for each person named as joint inventor to be a joint inventor of the invention asserted in each claim." This removes the technical requirement which gives rise to unnecessary problems under the present law.

In the event that the preferred full examination system cannot function satisfactorily, standby authority would be provided to institute a system of "deferred examination" of applications—one of the more recently developed techniques employed in the examination of patents. Under this system, an applicant could elect to have the application published immediately and have the examination of his application deferred for up to 5 years from its filing. At the end of 5 years, if a request for examination is not made, the application becomes abandoned. The purpose of deferred examination is to avoid the costly and time-consuming examination procedure for inventions that are of little economic significance.

In operation of "deferred examination," an applicant would have two options: He could submit an examination fee with the application upon filing and request that the application be placed on the dockets for immediate examination. Alternatively, the applicant could choose not to pay the examination fee, in which case he would pay a publication fee, and the application would be examined as to form and published as a deferred application. Within 5 years after filing, either the applicant, or any other person on a confidential basis, could have the application examined upon payment of the examination fee. As I said, if no one requests an examination within 5 years, the application would become abandoned. To the extent that examinations are never

requested, there would be a resultant saving in cost and manpower for both the Patent Office and for applicants.

The deferred examination system is now in use in the Netherlands, and a new patent law adopting such a system is now pending before the West German Parliament.

While the President's Commission and the administration recognize the merits in providing an immediate examination of all applications filed, standby authority for a deferred examination system was recommended by the Commission, and is included in sections 191–194 of H.R. 5924. These sections would authorize the Secretary of Commerce to issue regulations instituting the deferred examination system, "if he determines such action to be in the public interest." There are no present intentions to adopt the deferred examination system, unless other steps to reduce the backlog are inadequate.

To further encourage diligent prosecution of applications, time limitations would be imposed on the filing of "continuing" applications, those applications which may date back to a related earlier application, but which require additional examination. Under section 120(b), in order to date back to an earlier application, a "continuation" application must be filed before the abandonment or publication upon allowance of the earlier application, or before an appeal to the Patent Office Board of Appeals in the earlier case. These provisions, coupled with section 251(c), which would prevent an applicant from broadening the scope of his patent claims in a reissue patent—as he may now do—will reduce the period of time before the public will be completely informed as to what an inventor regards as his invention.

To clarify the rights of the public with respect to patents which have been litigated, a patent or claim of a patent once finally held invalid by a Federal court would be canceled under secton 294. Under present law, a holding of invalidity of a patent in one Federal court does not bar additional suits based on the patent in other circuits.

The bill would also allow any person, within 3 years of the issuance of a patent, to petition the Patent Office to cancel one or more claims from the patent on the basis that they are invalid over prior patents or publications. The procedure would be ex parte and to prevent patentees from being harassed, a $500 fee wouldd be imposed, and the patent owner's defense costs could be assessed against one who unsuccessfully seeks such cancellation.

Finally, to reduce the costs of patent litigation, and particularly the pretrial discovery phases, the positions of Civil Commissioners would be established by adding section 757 to title 28, United States Code. These Commissioners would be authorized to "regulate and control the conduct of all discovery proceedings, preside at any oral examination for discovery of parties, preside over any pretrial hearings, and make any necessary order with respect thereto." It is hoped that these Commissioners will expedite patent litigation, and make such litigation less burdensome to small business and indvidual inventors.

The first-to-file system of priority which would be established by section 102 of H.R. 5924, would, as Dr. Hollomon pointed out, encourage prompt filing of patent applications by awarding the patent to the first inventor to take positive action under the patent system to make the invention available to the public. This will create a sense

of urgency on the part of inventors and their attorneys to take prompt action to protect the invention under the patent system.

To further accelerate the public disclosure of new technology, section 123 of the bill would require the publication of pending patent applications within 18 to 24 months of their "effectve filing date," regardless of their status, unless to defer publication will permit the examiner more quickly to dispose of the application. "Effective filing date" means the legal date of the application; for example, in cases where a complete application is based upon a preliminary application, it woulld be the date the preliminary was filed.

Under present law, patent applications are maintained in secrecy by the Patent Office until the patent is granted. This frequently occurs 3 or more years after the application is filed.

Under the bill, therefore, inventors will be encouraged to file promptly and the Patent Office would be required to publish applications after a given period of time. This will promote advances based upon the disclosed work and prevent duplication of effort. Equally important, it will apprise businessmen at an early date of the invention and of the inventor's rights.

To protect the rights of inventors whose applications have been published, section 273 of the bill would permit the owner of an invention, under certain circumstances, to collect damages for the unauthorized practice of the invention by third parties after publication of an application but prior to the grant of a patent.

A number of the provisions of H.R. 5924 would bring U.S. patent practice more closely into harmony with those of the major industrialized nations of the world.

One provision which has not yet been discussed and which would contribute directly to this objective appears in section 102(a). This would establish what is sometimes referred to as "universal prior art," under which public knowledge, use, or sale of an invention anywhere in the world, prior to the filing date of a patent application would bar the grant of a patent. Under present law, patenting or publication of an invention anywhere in the world can bar the grant of a patent, but prior knowledge, public use, or sale is relevant "prior art" only if it occurs "in this country."

The President's Commission concluded that to adopt the universal definition of prior art would eliminate the present anomaly of excluding from prior art public knowledge, use, or sale in a border town of Canada or Mexico, and including the same kind of disclosure in Alaska or Hawaii.

The change would also be an important step toward acceptance of a common definition of universal prior art. While not all of the industrialized countries operate on a universal prior-art basis, the trend is definitely toward adopting this standard. The Council of Europe Treaty on the Unification of Certain Points of Substantive Patent Law (which has been signed by the European countries, but is not yet ratified or in force) provides that prior use or sale anywhere in the world be considered as prior art. Similarly, the "Model Law for Developing Countries on Inventions," written by the Secretariat of the Paris Convention, includes this same universal standard. Adoption of this standard by the United States would, therefore, add impetus to these efforts to agree upon a universal definition of prior art.

Dr. Hollomon has discussed briefly the need for international cooperation. I would like to amplify his statement and express my conviction that such cooperation is essential for the patent systems of the world to provide effective protection of intellectual property.

As a start toward closer international cooperation, we have launched a series of experimental bilateral exchanges of search results to evaluate the usefulness of the searching work product of examiners in one country in facilitating the examination of a corresponding application in another country.

An experimental exchange of search results with the Patent Office of the Federal Republic of Germany involving 2,000 pairs of cross-filed cases recently has been completed. Although complete and final evaluations have not yet been published, the results indicate that in a sizable number of cases, the search results were of material assistance to both offices. The trial program demonstrated, I believe, that a continuous exchange would result in considerable improvement in quality in both countries and would also have a potential for time savings to the examiner. A similar experiment in process with the Swiss Patent Office appears to be producing excellent results. Other exchange proposals are in various stages of development with other countries.

These exchange programs provide us with a sound data base upon which to move ahead intelligently. The payoff from an extensive and continuing exchange agreement could be substantial, both to the patent offices which would particiapte in the plan and to patent applicants in participating countries. Under such an exchange program in full operation, a large portion of the search or examining work in anywhere from 15 to 80 percent of the applications, depending on the country, could be eliminated if all of the examining countries participated.

In order to initiate a broad-based international approach to solution to the world's patent problems, the United States proposed at the executive committee meeting of the Paris Union on October 27, 1966, a resolution that the Director of BIRPI—United International Bureaux for the Protection of Intellectual Property, the Secretariat of the Paris Union—undertake a study of ways to reduce the duplication of effort both for applicants and national patent offices. This resolution was unanimously adopted. Under it, BIRPI has been developing a plan within the framework of the Paris Union which would reduce unnecessary duplication in securing international patent protection.

To provide added flexibility to the Patent Office in shaping its program, the President's Commission proposed that patent fees, now established by statute, be determined by regulations issued by the Commissioner of Patents. Because Patent Office costs may rise, and since there is presently no provision for a corresponding increase in its service charges, the Commission concluded that any long term fixed relationship between fees received and Office expenditures could not be maintained without continuing and prompt legislative adjustments. In preference to this, the Commission recommended that fees be set by regulation rather than by statute with Congress specifying a desired rate of recovery and reviewing the fee structure during the yearly budget process.

This recommendation is implemented in section 41 of the bill.

Section 271(b) implements to an extent another recommendation of the Commission concerning the importation into the United States of a product made abroad by a process patented in the United States. Such importation is not presently an act of infringement. A process patent owner may now seek to have the offending product excluded from this country under the Tariff Act of 1930, on the ground that importation will tend to cause substantial injury to an efficiently and economically operated domestic industry. The Commission concluded, however, because of these requirements, that the patent owner has little prospect for success.

The problem is particularly revelant in cases where patent protection for the process is not available in the country of origin. To alleviate this problem, section 271(b) would provide that:

> Whoever, without authority of the patentee, imports into the United States, for purposes of trade or use in trade or industry, a product made in another country by a process patented in the United States shall be liable as an infringer provided patent protection for the process is not available in such country.

To endorse an interpretation now given the present statute by the Patent Office with respect to double patenting, that is, the acquiring by a person of more than one patent on a single invention, section 253(c) would provide:

> The fact that two patents which have been or may be issued expire at the same time by means of a terminal disclaimer or dedication under this section or otherwise, shall have no effect in the determination of the patentability or validity of a claim in either.

Under sections 3 and 7 of title 35, as they would be rewritten, the Assistant Commissioners of Patents and the examiners in chief who constitute the Board of Appeals, now appointed by the President by and with the advice and consent of the Senate, would be appointed by the Secretary of Commerce. This change was prompted by the conclusion that the President's involvement in such appointments is an unwarranted burden on him.

The Assistant Commissioners, while providing policy guidance to the Patent Office, are in turn under the general direction of the Commissioner and secretarial officers of the Department of Commerce. And at least as early as 1875, the appointments of examiners in chief have been made by promotion of experienced examiners on the basis of merit. Also, incumbent examiners in chief, while Presidential appointees, have uniformly not left office on changes of party administration.

Under section 7, also, the number of members on the Board of Appeals is increased from 15 to 24 and the functions now performed by the Board of Patent Interferences—which would be abolished under the bill—would be assimilated by the expanded Board of Appeals. These functions involve resolving "interference proceedings" for cases filed before the establishment of the first-to-file system of priority. They also include determinations of ownership of inventions under section 152 of the Atomic Energy Act of 1954, 42 U.S.C. 2182, and section 305 of the National Aeronautics and Space Act, 42 U.S.C. 2457.

Other, more technical, matters are detailed in the sectional analysis

of the bill which was forwarded by the President with the bill and which appears in House Document No. 59.

A table showing the relationship between the Commission's recommendations and H.R. 5924 is attached hereto as appendix A. Those recommendations identified by an asterisk do not require statutory implementation at this time.

There are a few typographical errors in the bill, and these have been called to the attention of the counsel for the subcommittee. Also, in putting the bill together, the second paragraph of present section 114—relating to the furnishing of specimens or ingredients to the Patent Office for purpose of inspection or experiment—was inadvertently omitted. We suggest that this paragraph be included in H.R. 5924 when it is reported.

H.R. 7454, introduced by Representative Giaimo on March 20 as a substitute for H.R. 5924, in essence, adopts five of the Commission's recommendations.

These include the recommendations on computer programs, filing of patent applications by assignees and the naming of inventors, the 20-year patent term, the importation of a product made abroad by a patented process, and an expanded research and development program by the Patent Office.

Adoption of these recommendations, in our view, would improve the patent system. H.R. 7454, however, falls far short of the Commission's plan and of the improvements which would be achieved by enactment of H.R. 5924. Thus, H.R. 7454 is not an adequate substitute for the patent reform bill.

Appendix B of my statement is a table showing those recommendations of the Commission which are included in H.R. 7454.

I realize of course, that it is impossible to cover in any detailed way in the time available this morning a revision as comprehensive as the patent reform bill.

I would be pleased to answer any questions you may have, and to return at any time as the issues develop before this subcommittee. It is my firm conviction that this revision is essential to insure the vitality and effectiveness of the patent system in the decades ahead. I, therefore, strongly urge enactment of H.R. 5924.

Mr. KASTENMEIER. Thank you, Mr. Brenner.

You are from Wisconsin are you not?

Mr. BRENNER. Yes, sir.

Mr. KASTENMEIER. You are doubly welcome.

Mr. BRENNER. Thank you, sir.

Mr. KASTENMEIER. Without objection, appendix A and appendix B of your presentation and appendix A of Secretary Hollomon's presentation will be made a part of the record.

(The appendices are as follows:)

APPENDIX A TO COMMISSIONER BRENNER'S STATEMENT

THE PATENT REFORM ACT OF 1967 H.R. 5924 (90TH CONG., 1ST SESS.)

Recommendations		*Principal sections*
	PATENTABILITY OF INVENTIONS	
I	Prior art	102
II	Preliminary application	111, 120
III	Exceptions to prior art	105
IV	Patentable subject matter:	
	Designs and plants	----
	Computer programs	106
	APPLICATION FILING AND EXAMINATION	
V	Assignee filing and joinder of inventors	111, 116
VI	Claim for priority date	119, 120
VII	Publication	123, 151
VIII	Continuing applications	120
IX	Standby optional deferred examination	191–194
X	Burden of persuasion	137
XI	Citation period	136
XII	Quality control*	
	DIRECT REVIEW OF PATENT OFFICE DECISIONS	
XIII	Presumption of correctness	148
XIV	Review by court of appeals	147
	PROCEDURE FOR AMENDING AND CANCELLING PATENTS	
XV	Cancellation	257
XVI	Reissue	251
	LIABILITY AND ENFORCEMENT	
XVII	Interim liability	273
XVIII	Term of patent	154
XIX	Secrecy order	154
XX	Terminal disclaimer	253
XXI	Importation	271(b)
XXII	Patent right transferability	----
XXIII	*In rem* invalidity	294
XXIV	Civil commissioners	28 U.S.C. 757
XXV	Expedited procedure for limited claims	----
XXVI	Statutory advisory council	15
	PATENT OFFICE OPERATIONS	
XXVII	Patent Office financing	41
XXVIII	Propriety of final rejection*	
XXIX	Classification and information retrieval	12
XXX	Information dissemination	12
XXXI	Transition	Sec. 5 of bill
XXXII	Government patent policy*	
	INTERNAL ACTION	
XXXIII	Inventor's certificates*	
XXXIV	Term measurement*	
XXXV	Universal patent system*	

* Do not require statutory implementation at this time.

APPENDIX B TO COMMISSIONER BRENNER'S STATEMENT

H.R. 7454 (90th Cong., 1st Sess.)

Recommendations		*Principal sections*
	PATENTABILITY OF INVENTIONS	
I	Prior art	———
II	Preliminary application	———
III	Exceptions to prior art	———
IV	Patentable Subject Matter:	
	Designs and plants	———
	Computer programs	105
	APPLICATION FILING AND EXAMINATION	
V	Assignee filing and joinder of inventors	111(a)
VI	Claim for priority date	———
VII	Publication	———
VIII	Continuing applications	———
IX	Standby optional deferred examination	———
X	Burden of persuasion	———
XI	Citation period	———
XII	Quality control*	———
	DIRECT REVIEW OF PATENT OFFICE DECISIONS	
XIII	Presumption of correctness	———
XIV	Review by court of appeals	———
	PROCEDURE FOR AMENDING AND CANCELLING PATENTS	
XV	Cancellation	———
XVI	Reissue	———
	LIABILITY AND ENFORCEMENT	
XVII	Interim liability	———
XVIII	Term of patent	154
XIX	Secrecy Order	154
XX	Terminal disclaimer	———
XXI	Importation	271(e)
XXII	Patent right transferability	———
XXIII	*In rem* invalidity	———
XXIV	Civil commissioners	———
XXV	Expedited procedure for limited claims	———
XXVI	Statutory advisory council	———
	PATENT OFFICE OPERATIONS	
XXVII	Patent Office financing	———
XXVIII	Propriety of final rejection*	
XXIX	Classification and information retrieval	12
XXX	Information dissemination	12, 41(d)
XXXI	Transition	———
XXXII	Government patent policy*	
	INTERNATIONAL ACTION	
XXXIII	Inventor's certificates*	
XXXIV	Term measurement*	
XXXV	Universal patent system*	

* Do not require statutory implementation at this time.

APPENDIX A TO UNDER SECRETARY HOLLOMON'S STATEMENT

PRESIDENTIAL DOCUMENTS

TITLE 3—THE PRESIDENT

Executive Order 11215

ESTABLISHING THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM

Whereas the patent system established under the Constitution of the United States has contributed materially to the development of his country by furthering increased productivity, economic growth, and an enhanced standard of living and has strengthened the competitiveness of our products in world markets; and

Whereas we have experienced vast technological advances, particularly in recent decades, and industrial development continues to depend increasingly upon scientific and inventive endeavors; and

Whereas other industrial nations may be expected to exert vigorous efforts to obtain the greatest economic and social benefit from inventive activity; and

Whereas we and other nations are concerned with improving systems for the protection of industrial property to promote the beneficial exchange of products and services across national boundaries; and

Whereas the extensive international economic interests of the United States require that this Government take a leading role in international cooperation for the protection of industrial property; and

Whereas the patent system of the United States has developed a continuing back log of patent applications and the cost of processing such applications increases constantly; and

Whereas the general character of our patent system has undergone no substantial change since 1836; and

Whereas it is now necessary to evaluate our patent system and to identify possible improvements in it:

Now, therefore, by virtue of the authority vested in me as President of the United States, it is ordered as follows:

SECTION 1. *Commission established.* (a) There is hereby established the President's Commission on the Patent System, hereinafter referred to as the Commission. The President shall designate the Chairman of the Commission from among its members.

(b) The Commission shall be composed of the Secretary of Commerce, the Secretary of Defense, the Administrator of the Small Business Administration, and the Director of the National Science Foundation, or their respective designees, and not to exceed ten other members appointed by the President from the public at large.

(c) The Secretary of State and the Director of the Office of Science and Technology, or their designees, may sit with the Commission as observers.

SEC. 2. *Functions of the Commission.* The Commission shall recommend to the President steps to ensure that the patent system will be more effective in serving the public interest in view of the complex and rapidly changing tchnology of our time. Specifically, it shall direct its efforts toward (1) ascertaining the degree to which our patent system currently serves our national needs and international goals, (2) identifying any aspects of the system which may need change, (3) devising possible improvements in the system, and (4) recommending any legislation deemed essential to strengthen the United States patent system. In carrying out its evaluation, and in achieving these objectives, the Commission shall make an independent study of the existing patent system of the United States including its relationship to international and foreign patent systems, inventive activity and the administration of the system.

SEC. 3. *Administrative arrangements.* (a) Each member of the Commission who does not concurrently hold other compensated office or employment under the United States shall receive such compensation as shall be fixed in accordance with the standards and procedures of the Classification Act of 1949, as amended, or such other laws or procedures as may be applicable, and may also receive travel expenses and per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b–2) for persons in the Government service employed intermittently.

(b) The Department of Commerce is hereby designated as the agency which principally shall provide the Commission with necessary administrative facilities

and services, including such advice as may be necessary to aid the Commission in the performance of its functions hereunder.

(c) Each Federal department or agency the head of which is referred to in Section 1(b) of this order shall, as may be neecssary, furnish assistance to the Commission to accomplish the purposes of this order, in accordance with the provisions of Section 214 of the Act of May 3, 1945 (59 Stat. 134; 31 U.S.C. 691). Such assistance may include the detailing of employees to the Commission, one of whom may serve as its Executive Secretary, to perform such functions consistent with the purposes of this order as the Commission may assign to them.

(d) Each Federal department or agency shall, consonant with law and within the limits of available funds, cooperate with the Commission in carrying out its functions under this order. Such cooperation shall include, as may be appropriate, (1) furnishing relevant available information, (2) preparing reports or studies pursuant to requests by the Chairman, and (3) advising the Commission on its work pursuant to requests by the Chairman.

(e) The Commission shall have access to the records of the Patent Office and to other records of the Department of Commerce relating to patents, insofar as is not inconsistent with law.

SEC. 4. *Reports; termination of Commission.* (a) The Commission shall transmit to the President a preliminary report within one year after the date of this order and such interim reports as it shall deem appropriate. It shall submit its final report and recommendations to the President not later than 18 months after the date of this order.

(b) The Commission shall terminate not later than thirty days after date of transmittal of its final report to the President.

SEC. 5. *Revocation.* Executive Order No. 8977 of December 12, 1941, entitled "Establishing the National Patent Planning Commission," is hereby revoked.

LYNDON B. JOHNSON

THE WHITE HOUSE,
April 8, 1965.

[F.R. Doc. 65–3853; Filed, Apr. 9, 1965; 11:49 a.m.]

Mr. KASTENMEIER. You referred to an omitted paragraph in H.R. 5924, present section 114.

Do you have the text of that?

I think that ought to be made a part of the record, too.

Mr. BRENNER. Yes, sir. The provision we would add to H.R. 5924 would be:

When the invention relates to a composition of matter, the Commissioner may require the applicant to furnish specimens or ingredients for the purpose of inspection or experiment.

Mr. KASTENMEIER. Now, we have put into the record, the Presidential order establishing the Commission. It probably would be appropriate at this time, to also, without objection, put into the record the report of the President's Commission on the Patent System, entitled "To Promote the Progress of Useful Arts in an Age of Exploding Technology."

Actually, this comes to us as appendix B of Dr. Hollomon's statement.

Dr. HOLLOMON. That is correct.

Mr. KASTENMEIER. Without objection, that will be done.

(The report of the President's Commission is as follows:)

DR. HOLLOMON'S STATEMENT

APPENDIX B

"To Promote The Progress of ...Useful Arts"

In An Age of Exploding Technology

REPORT OF
THE PRESIDENT'S COMMISSION
ON THE PATENT SYSTEM

November 17, 1966.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT:

We have the honor to present the report of the President's Commission on the Patent System.

Your Commission was established by Executive Order No. 11215, on April 8, 1965, and the membership was announced on July 23, 1965. The Commission has held thirteen meetings, beginning August 15, 1965, each meeting lasting from one to four days, for a total of thirty-one days.

The recommendations conveyed in this report have been developed through study and discussion by the members of the Commission and, as a whole, represent their combined judgment and general agreement. The recommendations, in all of their details, however, do not necessarily bear the endorsement of every member.

Background material prepared by the staff and the Commission, reflecting more extensively the considerations taken into account in the development of these recommendations, is being completed and will be transmitted as a supplement to the report.

The principal objectives of the Commission's study are set forth in the Introduction. To the extent that the Commission's recommendations promote the attainment of these objectives, they will assist in furthering the mission of the United States patent system—to promote the progress of useful arts, advance the standard of living everywhere, and contribute toward world peace and tranquillity.

One point, Mr. President, merits emphasis. The accompanying recommendations should not be regarded as a catalogue of

discrete remedies. The report considers the patent system as a whole and contemplates revision by means of a coordinated plan of interrelated recommendations.

The recommended changes taken together, we respectfully suggest, will strengthen the patent system, and thus will assist in the attainment of the Nation's domestic and international goals in today's rapidly changing environment.

Members of the Commission deeply appreciate the responsibility assigned to them and offer their continued cooperation.

Respectfully yours,

HARRY HUNTT RANSOM
SIMON H. RIFKIND
Cochairmen.

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INTRODUCTION

The United States patent system is an institution as old as the Nation itself. Stemming from a Constitutional mandate, patent acts were passed in 1790, 1793, and 1836. The Act of 1836 established the pattern for our present system by providing statutory criteria for the issuance of patents and requiring the Patent Office to examine applications for conformance thereto. Although the law has been amended on numerous occasions—and even rewritten twice since 1836—no basic changes have been made in its general character in the succeeding one hundred and thirty years.

However, during this period of few statutory changes, major developments have occurred in the social and economic character of the country. The United States has undergone a dramatic transformation, creating and utilizing an enormously complex technology, to emerge as the world's most productive industrial community.

In the agricultural economy of 1836, individuals who engaged in inventive activity usually did so alone, and on their own initiative. Such activity still continues. The lone, independent inventor, even in this day of sophisticated technology, still contributes most importantly to the useful arts. But the field is no longer his alone. Organized research is carrying a steadily increasing share of the task of exploration.

Research and development are now commanding a scale of expenditure which is possible only because of the application of the resources of government, private industry and institutions of learning.

Scientific and technical information is being generated and made available to the public in an ever growing torrent. What

the patent fraternity calls prior art is growing so fast that it is becoming almost unmanageable by conventional means of storage and retrieval. Disclosures are becoming increasingly complex, and many are in foreign languages.

The trend in the number of patent applications is clearly upward and their subject matter is increasing in sophistication and complexity. The current backlog of pending applications is over 200,000, the average period of pendency being two and one-half years from filing to final disposition. However, a substantial number of applications have a period of pendency of five to ten years or more.

All of these factors have cooperated to make it exceedingly difficult for the patent examiner to screen what is truly novel and what is truly inventive.

Agreeing that the patent system has in the past performed well its Constitutional mandate "to promote the progress of . . . useful arts," the Commission asked itself: What is the basic worth of a patent system in the context of present day conditions? The members of the Commission unanimously agreed that a patent system today is capable of continuing to provide an incentive to research, development, and innovation. They have discovered no practical substitute for the unique service it renders.

First, a patent system provides an incentive to invent by offering the possibility of reward to the inventor and to those who support him. This prospect encourages the expenditure of time and private risk capital in research and development efforts.

Second, and complementary to the first, a patent system stimulates the investment of additional capital needed for the further development and marketing of the invention. In return, the patent owner is given the right, for a limited period, to exclude others from making, using, or selling the invented product or process.

Third, by affording protection, a patent system encourages early public disclosure of technological information, some of which might otherwise be kept secret. Early disclosure reduces the likelihood of duplication of effort by others and provides a basis for further advances in the technology involved.

Fourth, a patent system promotes the beneficial exchange of products, services, and technological information across national boundaries by providing protection for industrial property of foreign nationals.

Having satisfied itself as to the worth of a patent system, the Commission then undertook an extensive analysis of the many studies of U.S. and foreign patent systems. The Commission also sought and received additional views, criticisms and suggestions from numerous sources, including business and trade associations, individual patent practitioners, patent law associations, groups and individuals within the Patent Office, educators, inventors, scientists, businessmen, and other interested parties. From these sources the Commission identified numerous broad areas of concern.

Recognizing that it could not consider adequately all the matters of potential concern in the limited period of its existence, the Commission selected a number of areas with which it felt it could deal most effectively. In making this choice, the Commission took into account several factors, including its own membership, present investigations by other executive and legislative groups, and the potential contribution the Commission could make in any given area.

Within the boundaries thus defined, the Commission identified the following objectives:

1. To raise the quality and reliability of the U.S. patent.
2. To shorten the period of pendency of a patent application from filing to final disposition by the Patent Office.

3. To accelerate the public disclosure of technological advances.
4. To reduce the expense of obtaining and litigating a patent.
5. To make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system.
6. To prepare the patent system to cope with the exploding technology foreseeable in the decades ahead.

Many of the problems related to these objectives are intertwined. An attempt to solve or reduce a problem at one point of the system can expose or create a dislocation at another. Separate and uncoordinated solutions to individual problems would yield a gerrymandered patent system full of internal contradictions and less efficient than the one we now have. It is this circumstance—not any claim to superior wisdom—which led the Commission to propose the following changes, all as part of one interrelated and coherent plan.

RECOMMENDATIONS

Patentability of Inventions

I

The following recommendation would result in several significant changes in present practice: (a) when two or more persons separately apply for a patent on the same invention, the patent would issue to the one who is FIRST TO FILE his application; (b) there would be no grace period; (c) foreign knowledge, use and sale would be included as prior art; and (d) there would be revised criteria for the form of prior art.

> **Prior art shall comprise any information, known to the public, or made available to the public by means of disclosure in tangible form or by use or placing on sale, anywhere in the world, prior to the effective filing date of the application.**
>
> **A disclosure in a U.S. patent or published complete application shall constitute prior art as of its effective (United States or foreign) filing date.**

(a) In a first to file system, the respective dates of "conception" and "reduction to practice" of the invention, presently of great importance in resolving contested priority for an invention claimed in two or more pending applications or patents, no longer would be considered. Instead, the earliest effective filing date would determine the question of priority. This necessarily follows from the provision that the disclosure in a patent or published complete application shall constitute prior art as of its effective filing date. Interference proceedings thus would be abolished.

Important considerations dictate this departure from our present practice. A first to file system will: encourage prompt disclosure of newly discovered technology; substitute for the delays and expense of interference proceedings a fair and inexpensive means by which an inventor can establish priority; and bring U.S. practice into harmony with that prevailing in almost all other industrial nations.

The Commission believes it is as equitable to grant a patent to the first to file as to the one who wins an interference. Many circumstances may determine the winner in either case. But the first to file is more apt to be the inventor who first appreciated the worth of the invention and promptly acted to make the invention available to the public.

(b) Regardless of the time the invention was made, any relevant information, known or made available to the public, antedating the effective filing date of the first application containing the subject matter on which the claim to such invention is based, would constitute prior art as to such claim. Even the applicant's own earlier disclosure would bar the grant of a patent if made public before the earliest effective filing date to which the particular claim was entitled. As a result, there would be no grace period, and the question of whether the invention is obvious would be considered as of the filing date, rather than as of the time the invention was made.

This change would speed the examination procedure in the Patent Office by eliminating the time-consuming consideration of affidavits presently submitted to establish an earlier date of invention and thus overcome *prima facie* prior art. Also, the applicant no longer would need to maintain extensive records now required to corroborate such affidavits, or thereafter, to prove his actual date of invention in an infringement suit.

Greater international uniformity would also be achieved, since the present grace period has no counterpart in most foreign systems. Further, inventors no longer would forfeit their foreign patent rights through disclosures made in reliance on the U.S. grace period.

(c) Foreign knowledge, use and sale would be included as prior art. Present arbitrary geographical distinctions would be eliminated. The same high standard of proof now required for showing domestic public knowledge, use or sale would also be applied to such foreign prior art.

The anomaly of excluding, from prior art, public knowledge, use or sale in a border town of Mexico or Canada, and including the same kind of disclosure in Alaska or Hawaii, would be eliminated.

This change would prevent the granting of valid U.S. patents on inventions which would be unpatentable abroad, because of long use or sale there. It would be another step toward conformity with European patent laws and would promote acceptance of a common definition of universal prior art. Additionally, it would promote the establishment of international scientific data banks, thus eliminating one of the barriers to the useful exchange of search results among patent offices of various countries.

(d) "Printing," presently a technical requirement in certain circumstances, would no longer be necessary for a publication to constitute prior art. Instead, any information made available to the public in a tangible (non-oral) form, prior to the effective filing date, could so serve.

Such a change would establish as a logical and modern standard of the form of prior art: that either publicly known or made available to the public in a preservable form. It should end present disputes and avoid future controversy, by accepting as prior art typewritten copy, microfilm, computer print-out, or any other tangible expression of technological data, made available to the public.

(e) The disclosure in a patent or published complete application would have, as its effective filing date, the date of its earliest filing in the United States or a foreign country. This would resolve present uncertainty caused by conflicting court decisions.

This also would avoid an anomaly whereby two applications, with the same effective filing date, would have different dates for the purpose of constituting prior art where one is based upon a foreign application. Further, it would appear to be a necessary adjunct of a first to file system, to prevent two patents from issuing on the same invention.

II

To substitute for the present grace period, a first to file system should include some technique for allowing the inventor to seek support or test his invention in the marketplace. It also should encourage the free discussion of new discoveries in the academic and scientific communities. To meet these needs, a preliminary application, an "instant" form of disclosure to the Patent Office free from the delays and expense of a formal application, is proposed.

> **A preliminary application may be used to secure a filing date for all features of an invention disclosed therein, if the disclosure subsequently appears in a complete application. Requirements as to form shall be minimal and claims need not be included.**
>
> **One or more preliminary applications may be consolidated into one complete application filed within twelve months of the earliest preliminary or foreign application relied on.**

Under this recommendation an applicant would file a written description of his invention in a preliminary application, a document with minimal requirements as to form and needing no claims. This would permit early filing of an application, since it could be prepared by someone having little knowledge of patent law and procedure. Applicants should be made aware, however, that the protection afforded by a preliminary application will depend greatly upon the adequacy of the disclosure contained therein.

Additional preliminary applications could be filed to cover aspects of the invention developed subsequent to filing of the first

preliminary application. Records an inventor now must keep could be replaced by disclosures submitted to the Patent Office, where they automatically would be certified as to date. One or more preliminary applications also could be used to supplement the disclosure first presented in a foreign application.

Information contained in these applications could be disclosed to the public without risk, through publication or market testing, for example, as long as a complete application was filed within twelve months of the earliest preliminary or foreign application relied on. By a complete application is meant one which complies with present requirements for an application. Accordingly, many of the advantages of a grace period could be obtained without the associated problems.

Each claim in the complete application would be entitled, for the purpose of overcoming prior art, to the date on which its supporting disclosure was first fully presented in a validly asserted foreign, preliminary or earlier complete application. Also, disclosure in a complete application, if published, would constitute prior art as of its first presentation date.

The preliminary application technique would create no significant burden for the Patent Office. Preliminary applications need only be stamped with their date of receipt and stored pending the filing of a complete application, and even then would only be considered if the effective date of the complete application was brought into question.

III

Prior art shall not include, as to the inventor concerned, disclosures of an invention resulting from:

1. **A display in an official or officially recognized international exhibition; or**
2. **An unauthorized public divulgation of information derived from the inventor;**

As provided below.

1. Two international treaties define and regulate "official and officially recognized international exhibitions." The Paris Convention for the Protection of Industrial Property requires that "temporary protection" be granted with respect to inventions exhibited at such exhibitions.

The United States has had no need for a special provision with respect to exhibitions because the present grace period protects against the adverse effect of disclosures occurring within one year before the filing date of an application. Since the Commission now suggests elimination of the grace period, a method to safeguard patent rights under these circumstances must be provided to conform to the Paris Convention.

It would appear that the preliminary application (Recommendation No. II) complies both with the spirit and the letter of the Paris Convention in providing temporary protection for inventions shown at international exhibitions. However, if a preliminary application proves not to satisfy the Convention, it is recommended that:

> A display at an official or officially recognized international exhibition by an inventor, or assignee, shall not constitute prior art against his complete application to the extent that the information disclosed by the display appears in a notice having the format of a preliminary application; provided: that the notice is filed in the Patent Office no later than the public opening of the display and the complete application is filed within six months after filing of the notice.

2. With respect to unauthorized public disclosures, it is recommended that:

> An unauthorized public disclosure of information derived from the inventor or his assignee shall not constitute prior art against him, if, within six months after said disclosure, a complete application for the invention is filed by the inventor or assignee.

> Any allegation, that a disclosure should not constitute prior art because it was unauthorized, shall be considered by the Patent Office only if it is verified, sets forth details establishing a *prima facie* case, and is accompanied by proof that notice has been served on the party accused of making the disclosure.
>
> If the party accused promptly contests the allegation, the application shall not issue as a patent until the matter is finally judicially determined in favor of the applicant.

Currently, under certain circumstances, a disclosure will not bar the issuance of a patent if such disclosure was made within the grace period.

In the absence of this recommendation, an inventor or his assignee would lose his patent rights if an unauthorized public disclosure of the invention in any form (including patent applications or patents) was made prior to his filing an application. This recommendation furnishes a procedure to nullify the effect of such disclosure upon the inventor. It would allow the Patent Office to ignore alleged unauthorized disclosures as prior art in those instances where the allegation is not contested by the accused party. At the same time, it is designed to discourage an unsupported assertion that a disclosure should not be used to bar a patent. In a subsequent litigation, failure on the part of an accused party to contest the assertion in the Patent Office would not preclude reliance on such a disclosure to invalidate the patent.

The application would not receive the benefit of the date of the unauthorized disclosure for purposes of priority. Rather, any intervening untainted disclosure, occurring between the date of the unauthorized public disclosure and the application filing date, would constitute prior art as to the applicant. The unauthorized public disclosure also would constitute prior art as regards all other applicants.

IV

The classes of patentable subject matter shall continue as at present, except:

1. **All provisions in the patent statute for design patents shall be deleted, and another form of protection provided.**
2. **All provisions in the patent statute for plant patents shall be deleted, and another form of protection provided.**
3. **A series of instructions which control or condition the operation of a data processing machine, generally referred to as a "program," shall not be considered patentable regardless of whether the program is claimed as: (a) an article, (b) a process described in terms of the operations performed by a machine pursuant to a program, or (c) one or more machine configurations established by a program.**

This recommendation would end the practice of granting patents on designs and plants. It also would eliminate whatever possibility exists under the present statute, if any, for directly or indirectly obtaining a patent covering a program or a patent covering the operation of a data processing machine pursuant to a program.

The Commission believes strongly that all inventions should meet the statutory provisions for novelty, utility and unobviousness and that the above subject matter cannot readily be examined for adherence to these criteria.

1. Designs: A patent now may be granted on any new, original and ornamental design for an article of manufacture. Despite the statutory requirement of unobviousness, patents on designs are now granted, in effect, solely on the basis of novelty. Courts often find these patents invalid on the ground that the design is obvious.

The Commission is aware of legislative proposals to protect ornamental designs against copying. Nevertheless, it believes

that some means *outside* the patent system should be developed for the protection of new and original ornamental designs.

2. Plants: A patent may be granted today on any new and distinct variety of specified types of asexually reproduced plants. The statute imposes the requirement of unobviousness for patentability. In practice, however, patents are granted if the Department of Agriculture notifies the Patent Office that, as far as it can determine, the plant variety is new, and the examiner finds no art indicating the contrary.

While the Commission acknowledges the valuable contribution of plant and seed breeders, it does not consider the patent system the proper vehicle for the protection of such subject matter, regardless of whether the plants reproduce sexually or asexually. It urges further study to determine the most appropriate means of protection.

3. Programs: Uncertainty now exists as to whether the statute permits a valid patent to be granted on programs. Direct attempts to patent programs have been rejected on the ground of nonstatutory subject matter. Indirect attempts to obtain patents and avoid the rejection, by drafting claims as a process, or a machine or components thereof programmed in a given manner, rather than as a program itself, have confused the issue further and should not be permitted.

The Patent Office now cannot examine applications for programs because of the lack of a classification technique and the requisite search files. Even if these were available, reliable searches would not be feasible or economic because of the tremendous volume of prior art being generated. Without this search, the patenting of programs would be tantamount to mere registration and the presumption of validity would be all but nonexistent.

It is noted that the creation of programs has undergone substantial and satisfactory growth in the absence of patent protection and that copyright protection for programs is presently available.

Application Filing and Examination

V

To prevent delay, which may be detrimental to the owner of an invention, while retaining safeguards to protect the rights of the inventor, it is recommended that:

1. **Either the inventor or assignee may file and sign both the preliminary and complete applications.**

   Any application filed by the assignee shall include a declaration of ownership at the time of filing and, prior to publication of the application, shall include a declaration of originality by the inventor and evidence of a recorded specific assignment.

2. **Every application shall include, at the time of filing, the name of each person believed to have made an inventive contribution.**

3. **Omission of an inventor's name or inclusion of the name of a person not an inventor, without deceptive intent, shall not affect validity, and can be corrected at any time.**

1. The present patent act requires (with specified exceptions) that the inventor, at the time of filing, must sign the application and make an oath or declaration that he made the invention. Occasionally, inventors are unavailable or unwilling to sign an application immediately after it is prepared. Moreover, it is sometimes difficult to determine the identity of an inventor at the time the application is prepared. Delay in complying with the requirements has resulted in loss of rights to the application owner. Such delay would be more serious when the effective filing date is treated as the date of invention.

The intent of this recommendation is to simplify the formalities for filing an application by allowing the owner of the patent rights to sign and file the necessary papers. Many detrimental delays thus would be avoided.

Before publication of the application, however, the assignee must provide both a declaration of originality and a specific assignment from the inventor to safeguard the interests of the inventor and the public. The present statutory exceptions which allow an interested party to file an application when the inventor is deceased, is incapacitated, cannot be found or refuses to cooperate, would be continued to prevent forfeiture of rights.

2. At present, it is often difficult to determine who should be named as the inventor in any given application. A contributing factor is court rulings that for a valid patent to be granted to joint inventors, each person named must have been a joint inventor with respect to each claim in the patent.

Many complex inventions result from the combined efforts of persons working separately, often at different times and in different sections of an organization. In such cases, adequate protection may be impossible because all of the claims required for protection cannot be presented properly in a single application, and the individual contributions cannot properly be made the subject matter of separate patents.

This recommendation would simplify the initial determination of who should be named as inventors in a given application and render it unnecessary for each person named to be the joint inventor of the invention asserted in each claim in a patent.

3. Today, a patent in which a sole inventor is incorrectly named will be held invalid. In the case of joint inventors, the omission or improper inclusion of a name will not necessarily invalidate a patent; however, correction procedures may be burdensome and the issue of whether correction is required can become an item of costly litigation.

This recommendation is intended to avoid a holding of invalidity, as above mentioned, as well as to facilitate correction of applications and patents.

VI

Claim for a priority date must be made when a complete application is filed.

This recommendation would require that any claim for a priority date based on an earlier U.S. or foreign application must be made at the time a complete application is filed. Present practice allows a claim for priority to be delayed until the final fee is paid.

Early knowledge of the priority date on which an applicant intends to rely would become more important with the adoption of a first to file system. Such knowledge would be necessary for proper determination, without wasted effort on the part of the Patent Office, of what references may be used as prior art against an application.

VII

Publication of a pending application shall occur eighteen to twenty-four months after its earliest effective filing date, or promptly after allowance or appeal, whichever comes first.

An applicant, for any reason, may request earlier publication of his pending complete application.

An application shall be "republished" promptly after allowance or appeal subsequent to initial publication, and again upon issuance as a patent, to the extent needed to update the initially published application and give notice of its status.

The only printed publication now made by the Patent Office of an application is that which occurs upon the issuance of a patent. Today, such publication can be delayed significantly beyond two years from the effective filing date of an application.

This recommendation sets an outside limit on the time for publication. An application, unless abandoned and kept secret,

would be made available to all concerned within a reasonably short time. Early publication could prevent needless duplication of the disclosed work, promote additional technological advances based on the information disclosed, and apprise entrepreneurs of their potential liability.

An applicant would be permitted to abandon his application prior to the time for publication and retain the invention in secrecy. Alternatively, an applicant could have his application published promptly after filing, with or without abandonment, which would make his disclosure available earlier for prior art or interim liability purposes. However, the Commissioner could refuse such publication where the subject matter is nonstatutory, immoral, or the like.

In the case of an application which is given a notice of allowance, or in which an appeal is filed to the Board of Appeals, within the eighteen to twenty-four months after its earliest effective filing date, immediate publication would permit citation of prior art by the public (Recommendation No. XI).

Republication after a notice of allowance or the filing of an appeal would be required if amendments to the claims or specification are made after the first publication. Printing costs should not be increased substantially since republication could consist merely of a notice, published in the Official Gazette, with copies of the allowed claims prepared and made available to the public. When considered appropriate by the Commissioner, integrated copies of the specification and drawings could be prepared and made available.

VIII

This recommendation is intended to prevent the repetitive filing of dependent applications. It is designed to eliminate undue postponement of the publication of the scope of protection granted, bring the United States into accord with international practice, and permit more efficient Patent Office examination.

Unless a later filed application is:

1. **A continuation application and is filed before the occurrence of any of the following events: (a) the abandonment of, (b) the allowance of all pending claims in, or (c) the filing of an appeal to the Board of Appeals as to any claim in, the original parent application; or**
2. **A continuation-in-part application and is filed before the publication of any of its parent applications; or**
3. **A divisional application filed (a) on one of the inventions indicated to be divisible in a restriction requirement and is filed during the pendency of the application in which the restriction was first required, or (b) during the pendency of the original parent application;**

The later filed application shall not be entitled to the effective filing date of a parent application for matter disclosed in the parent, and the parent, if published, shall constitute prior art against the later filed application.

At present, an applicant may serially file continuing applications for an unlimited period of time and maintain his invention in secrecy. Such practice makes effective examination in the Patent Office more difficult and expensive, and indefinitely prolongs the time before the issuance of a patent and the resultant publication of the scope of protection granted.

Permitting an applicant to file a continuation application during the indicated portion of the pendency of his original parent application would provide some latitude for one who felt that inadequate opportunity existed in the parent case to reach a clear issue. At the same time, it would avoid needless effort in preparing examiner's responses to appeal briefs, as well as unduly prolonged prosecution of the same invention.

Requiring that a continuation-in-part application be filed before publication of the parent application, as would appear to

be required if the provisions of the present Council of Europe Treaty and proposed Common Market Patent System were observed, normally would allow both the parent and continuation-in-part applications to be examined contemporaneously, possibly by the same examiner. Further, the public would learn sooner of the scope of patent protection that ultimately might be obtained based on the invention disclosed in the parent application.

Providing that all divisional applications must be presented during the pendency of the original parent application, or the application in which restriction first was required, would shorten the period of public uncertainty as to the scope of patent protection that eventually may be granted on the subject matter disclosed in the parent application. On the other hand, the applicant would have ample opportunity to perfect an appeal or to file a petition that may affect the propriety of a restriction requirement.

IX

The Commission clearly favors a high quality immediate examination system if it can be maintained without a constantly increasing backlog. Nevertheless, it is recommended that:

Standby statutory authority should be provided for optional deferred examination.

Although this recommendation reflects the consensus of the Commission, a split exists among the members as to when and how such authority should be exercised.

One view favors optional deferred examination going into effect, on a pilot basis, as soon as appropriate legislation can be enacted. Proponents of this view feel that early experience with optional deferred examination is desirable, and that it can be obtained effectively only by instituting a pilot program as early as possible. For example, the pilot program could apply to applications filed within a given period of time or to applications concerned with some given subject matter.

The other view favors the institution of optional deferred examination, whether on a pilot basis or in whole, only if the Statutory Advisory Council (Recommendation No. XXVI) should find that a high quality immediate examination system no longer could be maintained.

Justifications for an optional deferred examination system are that not all applications for patents are of the same value, that it is not good economic practice for the Patent Office to devote substantial effort to applications having little value, and that the applicant and his competitors are in the best position to select out such applications.

Such a system should reduce the number of applications requiring prompt examination. It is probable that a number of applicants, such as those who had not yet determined the value of their inventions, would prefer to have examination of their applications deferred. To the extent that applications are deferred, the remainder should be reached for examination sooner. In some cases, examination might never be requested, and the applications would become abandoned.

An optional deferred examination system shall include the following provisions:

1. **The examination shall be deferred at the option of the applicant, exercised by his election not to accompany the complete application with an examination fee.**

   Request for examination, accompanied by payment of an examination fee, may be made anytime within five years from the effective filing date of the application.

2. **A deferred application shall be promptly inspected for formal matters and then published.**

3. **Any party, without being required to disclose his identity, may provoke an examination upon request and payment of the fee.**

4. **Unless made special upon the request of any party, an application initially deferred shall**

be inserted in the queue of applications set for examination in an order based on the date of payment of the examination fee.

5. Examination of pending parent or continuing applications shall not be deferred beyond the time when examination is requested of any of the parent or continuing applications.

1. A five year period should balance the interests of the public, the applicants and the Patent Office. The public should learn, within a reasonable time, about any patent protection. Applicants should have adequate time to ascertain the commercial value of their inventions before investing in an examination fee and prosecution costs. The Patent Office should benefit from the abandonment of a number of applications prior to examination.

2. A complete application which is not accompanied by an examination fee would be inspected for formal matters immediately upon filing. The application would be classified under the Patent Office classification system and published at the earliest possible date. No prior art search would be made before a full examination is requested, since otherwise the saving of examiner's time would be minimal.

3. By requesting an examination, a potential infringer or other interested party could receive a relatively prompt determination of the invention's patentability.

A third party could initiate the examination without identifying himself to the Patent Office. As a result, the applicant would not be given any additional advantage when drafting his claims, nor would the third party be inviting suit for infringement after issuance of the patent.

4. The provision as to order of examination is intended to assure fair treatment to those who initially paid for an immediate examination.

5. Concurrent examination and prosecution of the entire family of pending parent and continuing applications would be required in those cases where examination of one of such applications has been requested. If a third party requests and pays the fee for examination of an application, the applicant would be required to pay the examination fee promptly for all other parent or continuing applications.

This contemporaneous examination would provide earlier determination of the scope of the composite monopoly to be granted.

X

To reinforce the statutory presumption of validity, and to assist in the prevention of the issuance of invalid patents:

The applicant shall have the burden of persuading the Patent Office that a claim is patentable.

Until recently, the Patent Office has followed a policy of (a) instructing the examiner to resolve all reasonable doubts in favor of the applicant, and (b) prohibiting the examiner from indicating that he is allowing a claim despite his doubt as to its patentability. The Commissioner has instructed the examiners to abandon this policy in obedience to the views expressed this year by the Supreme Court. Present experience is insufficient to reveal how the courts directly reviewing Patent Office practice will treat this change.

Many have long recognized that resolving doubt in favor of the applicant is inconsistent with giving a patent a strong presumption of validity. Little justification exists for giving weight to a decision made by the Patent Office when it resolves doubt in this manner, since it is passing the question of patentability on to the courts instead of exercising its judgment. Inasmuch as the examiner does not indicate when he has applied the rule of doubt, all patents may be questioned in this regard.

This recommendation would require the applicant, in all cases, to persuade the Patent Office by a preponderance of proof

that his claims are allowable. By eliminating doubt as an element favoring patentability, the overall standards of patentability applied by the Office should be raised.

XI

To increase the likelihood that all pertinent prior art is considered before issuance of a patent, the following technique is provided.

> **The Patent Office shall consider all patents or publications, the pertinency of which is explained in writing, cited against an application anytime until six months after the publication which gives notice that the application has been allowed or appealed to the Board of Appeals. If the Patent Office, after the citation period, determines that a claim should not be, or have been, allowed, the applicant shall be notified and given an opportunity *ex parte* both to rebut the determination and to narrow the scope of the claim. The identity of the party citing references shall be maintained in confidence.**
>
> **Public use proceedings, as at present, may be instituted during the citation period.**

Presently, anyone who has reason to believe that an application is pending may seek an *inter partes* proceeding to to determine whether alleged public use or sale should bar issuance of a patent. Also, publications or patents may be submitted for *ex parte* consideration by the Patent Office.

This recommendation would provide a citation period of at least six months in which the public, informed by publication of the content of an application, could submit patents or publications, together with an explanation of their pertinency. Such references would be evaluated and, to the extent found applicable, used to reject claims even if such claims previously were allowed or under appeal.

Little delay in the issuance of patents would result from this procedure. The applicability of newly cited art would be

determined immediately after expiration of the six month period following the publication which gives notice of allowance or of the filing of an appeal. Moreover, the applicant need not suffer from such delay since, under certain circumstances, damages could be recovered for infringement during the period following publication (Recommendation No. XVII).

The recommended procedure could benefit both the applicant and the public. The applicant could gain by the opportunity to narrow his claims, when possible, to avoid prior art, rather than having the claims later held invalid. Inasmuch as the procedure will be an *ex parte* one, as distinguished from a full scale adversary procedure, the additional cost of the citation practice to an applicant would not be great. The public should benefit by the opportunity to cite prior art inexpensively to the Patent Office rather than through costly litigation. Under this procedure, both would benefit from the greater reliance that could be placed upon the validity of patents in general.

Citing, or failing to cite, prior art during this period would not preclude a later challenge on that art.

XII

Indispensable to the improvement of the quality and the acceptability of patents being issued is the establishment of an objective technique for measuring the quality of the work product of the examining corps. The Commission therefore recommends that:

> **The Patent Office shall develop and maintain an effective control program to evaluate, on a continuing basis, the quality of the patents being issued by the examining groups and art units therein, and to furnish information for the publication of an annual rating of the overall quality of the patents issued each year.**

The Patent Office is presently in the process of putting into effect a quality control program.

This recommendation is intended to encourage and expand this effort so that an effective quality measurement can be made, on an objective basis, of the patents being issued by each of the examining groups and art units within the Patent Office.

Development of an effective patent quality measurement technique should be followed by the publication of a rating reflecting the quality of patents issued during a given period. For example, if effective quality measurement is achieved during 1968, the quality rating for that year could be used as a base of comparison and set at 100. Each year thereafter, a quality rating could be determined with this technique and the trend in the quality of patents being issued observed.

Such ratings should prove helpful to the Patent Office, the public, the courts, and the Congress in making required judgments concerning the patent system.

The continual review by a Statutory Advisory Council (Recommendation No. XXVI) of the quality of patents being issued and the effectiveness of any quality control program in operation should result in greater acceptability of the quality rating and the control program by all concerned.

Direct Review of Patent Office Decisions

XIII

A Patent Office decision refusing a claim shall be given a presumption of correctness, and shall not be reversed unless clearly erroneous.

Currently, the weight given on appeal to a Patent Office decision denying a patent depends upon which court reviews the decision. The Patent Office's decision is presumed correct in the District Court for the District of Columbia and the Court of Appeals for the District of Columbia Circuit, but not in the Court of Customs and Patent Appeals.

The Patent Office should be recognized as having technical and legal expertise, important in deciding questions of patentability. While a reviewing court certainly will have legal expertise, and perhaps general technical knowledge, it seldom will possess the particular technical skill in the art with which a Patent Office examiner is equipped. Further, it is only after both the examiner and the Board of Appeals have concurred in the refusal of a claim that the matter comes before a reviewing court. Such concurrence should not be rejected by the court unless the action is, in its judgment, clearly erroneous.

This recommendation should settle the conflict over "scope of review," by defining the court's responsibility to be *review* of the Patent Office decision, rather than substitution of its own judgment. The court would determine only whether the Patent Office had reasonable basis for its decision, not whether a different decision logically could have been reached on the same record. The burden of persuasion would be on the applicant, and the Patent Office decision should not be reversed unless, in view of all of the evidence, the court has a thorough conviction that there was no reasonable basis for the decision.

XIV

Either the applicant or the Patent Office may appeal from a decision of the Court of Customs

and Patent Appeals to the United States Court of Appeals for the District of Columbia Circuit, and from a decision of the latter court either may petition the Supreme Court for a writ of certiorari.

An applicant presently may seek review by two alternative routes from a decision by the Board of Appeals of the Patent Office. He may appeal to the Court of Customs and Patent Appeals (C.C.P.A.) on the record made in the Patent Office; or, he may proceed in the United States District Court for the District of Columbia where he may offer evidence and issues not considered by the Patent Office. Only a decision of the District Court may be appealed, by either party, to the United States Court of Appeals for the District of Columbia Circuit.

When the Court of Appeals and the C.C.P.A. render conflicting decisions reflecting a disagreement on a point of substantive law, the Patent Office must choose one of the decisions to follow, for the sake of uniformity within the Office. In practice, the Patent Office generally adopts the guidelines in the decision most favorable to the applicant, since it is the applicant who selects the reviewing court.

The present procedure also has caused inconsistency in the application of the law. As recently observed by the Supreme Court [*Graham* v. *John Deere Co.*], there is "a notorious difference between the standards applied by the Patent Office and by the courts." This difference results not only from the fact that proceedings in the Patent Office are *ex parte*, but also because the C.C.P.A., which to a large extent determines the standards applied in the Patent Office, is a court which has neither general jurisdiction nor jurisdiction in infringement cases.

Under the recommendation, all immediate direct review of the Patent Office would be subject to further review by the United States Court of Appeals for the District of Columbia Circuit. Thus, a single court of general jurisdiction ordinarily would be the final reviewing authority. This should produce decisions wherein interpretation and application of substantive

law is more akin to that in infringement suits in the several judicial circuits. Thus, the public reasonably could expect that the law relating to patentability as applied in the Patent Office would conform more nearly to that applied in the infringement courts.

Procedure for Amending and Cancelling Patents

XV

This recommendation provides an *ex parte* administrative procedure in the Patent Office for cancellation of claims, which should be faster and less costly than court proceedings.

> **The Patent Office, upon receipt of a relatively high fee, shall consider prior art of which it is apprised by a third party, when such prior art is cited and its pertinency explained in writing within a three year period after issuance of the patent. If the Patent Office then determines that a claim should not have been allowed, the patent owner shall be notified and given an opportunity *ex parte* both to rebut the determination and to narrow the scope of the claim. Failure to seek review, or the affirmance of the Patent Office holding, shall result in cancellation of the claim.**
>
> **When the validity of a claim is in issue before both the Patent Office and a court, the tribunal where the issue was first presented shall proceed while the other shall suspend consideration, unless the court decides otherwise for good cause.**
>
> **Anyone unsuccessfully seeking Patent Office cancellation of claims shall be required to pay the patent owner's reasonable cost of defending such claims, including attorney's fees. The Commissioner shall require an appropriate deposit or bond for this purpose at the start of the action.**

Presently, there is no provision for the Patent Office administratively to cancel any claim in an issued patent. Even where a claim appears to be clearly unpatentable in view of newly discovered prior art, only a court can declare the claim invalid. As a result, the patent owner can continue to assert such a claim because no one is willing or able to expend the resources necessary to obtain a court decision.

To discourage harassment and to promote the citation of references prior to issuance (Recommendation No. XI), a relatively high fee would be required. Further, the patentee's defense costs would be assessed against any party who unsuccessfully sought cancellation. To insure payment, anyone initiating such action would be required immediately to post a deposit or bond in accordance with a schedule fixed by the Commissioner.

In some instances, the cancellation proceeding would benefit even the patent owner, since he still would have an opportunity to narrow any claims found to have been erroneously allowed.

If a party were successful in seeking cancellation, after citing only prior art which he previously presented during the opposition period, the cancellation fee should be refunded.

A three year limit on the time within which a cancellation procedure could be instituted should be sufficient for most prior art to become readily accessible.

It would be desirable for the Statutory Advisory Council (Recommendation No. XXVI) to review this procedure after sufficient time has elapsed to determine its effectiveness, and to recommend any appropriate changes.

XVI

A claim shall not be broadened in a reissue application.

Presently, there are few statutory restrictions against broadening the scope of the invention claimed during prosecution before the Patent Office. Because of this, the potential value of early publication (Recommendation No. VII) cannot be fully realized, since unclaimed disclosure in a published application could not be used by the public free from the possibility that it might be protected by broader claims in the subsequently issued patent. The public would have no guide, other than the entire disclosure, to determine the limits of final patent protec-

tion. Possible claim scope could be divined only after the interested party conducted his own examination of the prior art.

Hence, it is desirable that claims never be broadened after publication, whether presented in the published application or a related continuing or reissue application. However, an all-inclusive prohibition to this effect might be impossible to enforce. Accordingly, this recommendation is directed solely to reissue applications, where broadening of claims can be prohibited effectively.

Liability and Enforcement

XVII

In view of the recommended publication of applications by the Patent Office before a patent issues (Recommendation No. VII), some protection for the patent owner for the period from publication to patenting should be made available. Therefore, it is recommended that:

> **For infringement of a claim which appears in both an application as initially published and in the issued patent, damages may be obtained for an interim period prior to issuance. Such period shall be measured from after the occurrence of all of the following events: (1) the initial publication, (2) a Patent Office holding that the claim is allowable, and (3) a transmittal to the alleged infringer of actual notice reasonably indicating how his particular acts are considered to infringe the claim.**
>
> **The applicant's election to create such interim liability, by his transmittal of notice, shall constitute the granting of a reasonable royalty, nonexclusive license, (1) extending only until the issuance of the patent for any infringement involving a process, and (2) extending to and beyond issuance for any infringement involving a machine, manufacture or composition of matter, which is made prior to the issuance of the patent.**
>
> **In exceptional cases, damages for interim infringement up to treble reasonable royalties may be assessed.**

Under the present statute, liability for infringement begins on the date a patent is issued.

With a requirement of pre-issuance publication of an application, absent this recommendation, anyone could copy the invention and make, use or sell it until a patent is issued, possibly even exhausting its commercial value.

By this recommendation, a patentee whose claims are "infringed" before the patent issues, would have some degree of protection, while at the same time the public would be provided with a clear indication of its possible liability.

The provision that a claim will not be held infringed unless it appears both in the application as first published and in the resulting patent should encourage the applicant, before publication, to present claims he considers patentable. The further requirements of an allowable published claim and actual notice would reduce public uncertainty as to possible interim liability. Also, an infringer would be provided with an opportunity to cease and desist before damages accrue.

In exchange for the right to recover damages during this interim period, an applicant would have to give up any right to an injunction as to things made prior to issuance, and could recover no more than a reasonable royalty for any infringing acts occurring prior to the issuance of the patent. Under any circumstances, suit could not be brought before issuance of a patent.

If an applicant should elect not to pursue an infringer for interim liability, by withholding the required notice, present remedies available after the patent issues would remain undisturbed.

XVIII

The term of a patent shall expire twenty years after its earliest effective U.S. filing date.

The term of a U.S. patent now extends for a period of seventeen years from the date of issuance. Measuring the patent term from this point encourages deliberate delays in the prosecution of applications, particularly those filed primarily for speculative reasons and those having little immediate value. Another effect can be the filing of continuing applications solely to delay the start of a patent term.

The proposed change would induce the applicant to present claims promptly that he believes patentable and to avoid delaying the prosecution of the application. Since the term of a patent stemming from a continuing application would expire on the same day as one issued on its parent application, there would be less incentive to use a continuing application for the purpose of delay.

Measuring the patent term from the earliest domestic filing date will bring U.S. practice into closer conformity with most foreign systems. This would become advantageous if the Paris Convention were to be modified to permit measuring from the earliest foreign filing date asserted (Recommendation No. XXXIV).

XIX

The term of a patent, whose issuance has been delayed by reason of the application being placed under secrecy order, shall be extended for a period equal to the delay in issuance of the patent after notice of allowability.

At present, whenever publication or disclosure of an invention by grant of a patent might be detrimental to national security, the application may be placed under secrecy order by the Commissioner of Patents.

The applicant, provided he receives a notice of allowability, is entitled to compensation for use of the invention by the Government and for damages caused by the secrecy order. In determining this compensation, consideration has been given to the fact that the applicant may benefit by a delayed monopoly, running seventeen years from the date of issuance of the patent.

With the patent expiring twenty years after its earliest effective U.S. filing date (Recommendation No. XVIII), an applicant would receive no such benefit. Accordingly, it is proposed to extend the term of such a patent for a period equal to the delay in issuance of the patent after notice of allowability caused by the secrecy order.

XX

The filing of a terminal disclaimer shall have no effect in overcoming a holding of double patenting.

This recommendation is intended to endorse the interpretation given the present statute, with regard to the filing of a terminal disclaimer to overcome a holding of double patenting, by the Court of Appeals for the District of Columbia Circuit. A contrary decision by the Court of Customs and Patent Appeals has created confusion in this area.

The Commission supports the position that the granting of more than one patent on a single invention, even if there is a common inventor or assignee, would constitute, *inter alia*, an undue "extension of monopoly." While a terminal disclaimer would prevent the extension of monopoly in time, it would not preclude the undue extension of monopoly in scope. In this regard, it would not keep the patentee from "blocking" out a field, by successfully prosecuting applications covering otherwise unpatentable variations of what he already has patented. Further, it would discourage attempts by others to "invent around" the patented invention by developing modifications and improvements.

The granting of more than one patent on obvious variations of a single inventive concept also would minimize advantages to be obtained by the provision for *in rem* invalidity (Recommendation No. XXIII). Otherwise, a patent owner, even after claims in one such patent had been held invalid, still could threaten suit on similar claims in his other patents.

XXI

The importation into the United States of a product made abroad by a process patented in the United States shall constitute an act of infringement.

The unauthorized importation into the United States, or sale or use, of a product made abroad by a process patented in the

United States, does not now constitute infringement. A process patent owner may seek to have the offending product excluded from this country under the Tariff Act of 1930, on the ground that importation will tend to cause substantial injury to an efficiently and economically operated domestic industry. However, because of these requirements, the patent owner has little prospect for success.

This recommendation would make it possible to prevent evasion, of the process patent owner's exclusive rights in the United States, by the practice of his process abroad and the importation of the products so produced into this country.

XXII

The licensable nature of the rights granted by a patent should be clarified by specifically stating in the patent statute that: (1) applications for patents, patents, or any interests therein may be licensed in the whole, or in any specified part, of the field of use to which the subject matter of the claims of the patent are directly applicable, and (2) a patent owner shall not be deemed guilty of patent misuse merely because he agreed to a contractual provision or imposed a condition on a licensee, which has (a) a direct relation to the disclosure and claims of the patent, and (b) the performance of which is reasonable under the circumstances to secure to the patent owner the full benefit of his invention and patent grant. This recommendation is intended to make clear that the "rule of reason" shall constitute the guideline for determining patent misuse.

There is no doubt, in the opinion of the Commission, of the importance to the U.S. economy of both the U.S. patent system and the antitrust laws. Each is essential and each serves its own purpose within the framework of our economic structure. However, conflicts between the two have arisen. But this does not mean that the two systems are mutually exclusive, that a strong patent system is a threat to the antitrust laws, or that the latter

cannot be effectively enforced so long as a patent system grants limited monopolies.

On the contrary, the two systems are fully compatible, one checking and preventing undesirable monopolistic power and the other encouraging and promoting certain limited beneficial monopolies. In this way, each may easily achieve its objectives in a strong economy.

The Commission, therefore, does not favor any proposal which would weaken the enforcement of the antitrust laws or which would curtail in any way the power of the courts to deny relief to a patent owner misusing the patent he seeks to enforce. However, uncertainty exists as to the precise nature of the patent right and there is no clear definition of the patent misuse rule. This has produced confusion in the public mind and a reluctance by patent owners and others to enter into contracts or other arrangements pertaining to patents or related licenses.

No useful purpose would be served by codifying the many decisions dealing with patent misuse into a set of rules or definitions permitting or denying enforceability of patents in given circumstances. The risk of unenforceability is too great and such a codification is wholly unnecessary. All that the Commission believes to be required is explicit statutory language defining, for the purpose of assignments and licenses, the nature of the patent grant heretofore recognized under the patent statute or by decisional law. This is, the right to exclude others from making, using and selling the patented invention.

The mere exercise, conveyance or license of these conferred rights should not in itself constitute misuse of a patent. A patent owner should not be denied relief against infringers because he either refused to grant a license or because he has exercised, transferred or licensed any of the conferred patent rights himself. This should not include immunity of even these conferred patent rights from the antitrust laws when the patent owner becomes involved in a conspiracy to restrain or monopolize com-

merce, or when the patent is itself used as an instrument for unreasonably restraining trade.

There are also a number of conditions and provisions long associated with the transfer or license of rights under patents which must be distinguished from the exclusive right to make, use and sell conferred by the patent grant. Among these are improvement grant-backs, cross licenses, package licenses, patent pools, no contest clauses, and many others which are simply matters of private contract, ancillary to the conveyance or license of a patent right. As such, these conditions and provisions must be judged, along with other purely commercial practices, under the antitrust laws and the patent misuse doctrine. The Commission does not recommend immunization of any of these other provisions or conditions from either the antitrust laws or the application of the misuse rule.

This recommendation also makes it clear that a patent may not be used to control commerce in subject matter beyond the scope of the patent. For example, it could not be considered "reasonably necessary" to secure full benefit to the owner of a machine patent that he attempt to control any of the commerce in an unpatented raw material to be used in the machine. Neither could it be held that such an attempt had a direct relation to the machine claims in his patent. By the same standards, the patent owner could not control commerce in one of the unpatented elements of his combination invention where his claims are to the whole combination.

XXIII

A final federal judicial determination declaring a patent claim invalid shall be *in rem*, and the cancellation of such claim shall be indicated on all patent copies subsequently distributed by the Patent Office.

Under present law, even though one or more claims of a patent have been held invalid in one Federal circuit, the patentee may pursue a different defendant in another circuit for infringement of the same claims.

As a result, a party may be held liable as an infringer or required to pay royalties in one circuit, while his direct competitor is practicing the same invention without restriction in another circuit. Moreover, the mere possession of a patent, even though held invalid in one or more circuits, serves as a potential threat to persons unwilling or unable to defend a suit on the patent.

Under the proposed recommendation, a claim, once held invalid, would be treated as cancelled from the patent. No one thereafter could be required, on the basis of a royalty agreement previously made part of an infringement judgment, to continue royalty payments on the claim. Furthermore, the proposal would preclude a subsequent suit on a patent claim previously held invalid by a Federal court.

A patentee, having been afforded the opportunity to exhaust his remedy of appeal from a holding of invalidity, has had his "day in court" and should not be allowed to harass others on the basis of an invalid claim. There are few, if any, logical grounds for permitting him to clutter crowded court dockets and to subject others to costly litigation.

XXIV

One of the most common grievances called to the Commission's attention, by all branches of the patent-using community, has been the high cost of patent litigation. The following recommendation is directed toward the pretrial period, now the occasion for much expense and vexation.

> **Offices of "Civil Commissioner" shall be created in those U.S. district courts where justified by the volume of patent litigation. In patent cases, unless otherwise ordered by a district court judge for good cause, a Commissioner shall conduct pretrial hearings, preside at depositions of parties, supervise discovery proceedings upon an accelerated and abbreviated basis, make preliminary rulings upon the admissibility of proofs, and be empowered to vary the**

burdens of proof for good cause in secrecy cases.

The wholesome effect of the liberal discovery provisions of the Federal Rules of Civil Procedure (FRCP) is undeniable. Adversaries are compelled to reveal the facts of their cases to each other so that trials are conducted more fully and fairly. Like any other right, however, the right of discovery can be abused and it has been used to harass and oppress litigants. Uncontrolled discovery in patent cases is a prime cause of the enormous expense frequently encountered by the litigants.

One source of this expense is the man-hours required to search for, collect, and assemble for inspection, thousands of documents called for under Rule 34 FRCP. More thousands of documents and other kinds of information may be required to answer interrogatories under Rule 33 FRCP. In the event of a disagreement between the parties about discovery, much more time may be needed for legal research, brief writing and argument before a court. In any event, the general rule in the courts is that the acknowledged burden of a request for discovery is not a valid excuse to avoid producing the information.

Another source of considerable cost comes from taking adverse discovery depositions of parties or of the officers, directors and managing agents of corporate parties. The witnesses may be examined over a wide subject area and for protracted periods of time. Rule 30(b) FRCP provides that a court may limit or terminate an examination if it is being conducted unreasonably or in bad faith. However, this recourse involves still more time and expense.

As a consequence, the high cost of patent litigation results in good and valid patents being defied and going unenforced, invalid patents being kept from court scrutiny, and, finally, compromises, settlements and licensing arrangements, whose only justification is an economic one, i.e., the avoidance of enormous litigation expense.

Adoption of this recommendation should reduce considerably the time and expense to litigants in patent cases. The provision of Civil Commissioners, who would supervise discovery procedures, should help correct abuses and bring about more effective utilization of these procedures.

XXV

The previous recommendation should substantially reduce the cost of litigation. However, even the reduction so accomplished may not be sufficient to insure a "day in court" for the individual or corporation of modest means. The following recommendation is addressed to this problem.

> **A party to a patent case seeking to reduce his litigation costs, with the consent of the adverse party, may submit his case to the court on a stipulation of facts or on affidavits without the usual pretrial discovery. This procedure may be used where no injunctive relief is asked and only limited damages are sought. Incentives shall be provided to consent to this procedure, as set forth below.**

The Commission does not seek to discourage the settlement of patent infringement controversies. On the contrary, public policy strongly favors this method of resolving disputes. However, since there is always a public interest or aspect involved in a patent license, a strong patent system requires that only good and valid patents be the subject of licensing arrangements. Attainment of this desirable objective is presently hampered by the many settlements and patent licenses brought to pass in order to avoid high litigation expenses. But just as it is contrary to the spirit of the patent laws to recognize and pay tribute to an invalid patent, it is also unfair to expect individual or corporate patent owners of limited means to settle, and accept less than their just due, simply because they cannot afford expensive litigation.

The Commission believes that a truly just patent system should provide all patentees fair opportunity for a "day in

court." Similarly, all alleged infringers should have an opportunity to test judicially the validity and scope of patents asserted against them. Neither should be made to suffer or be denied access to the courts because of intolerable litigation expenses.

The expedited procedure recommended should be made applicable to both infringement suits and declaratory judgment actions involving patents.

As an incentive for the alleged infringer to consent to this procedure, any subsequent judgment favoring the patent owner, under this procedure, would omit any injunctive relief and would be confined to a reasonable royalty license for future infringement and reasonable royalties for past infringement. Royalties, both past and future, could not exceed a fixed amount, such as $100,000, unless a higher figure is agreed to by the parties. In addition, if an alleged infringer should refuse to consent to this procedure, and the patent owner, after regular proceedings, is successful, he would be entitled to a mandatory award of all reasonable litigation expenses, including attorney's fees.

Statutory Advisory Council

XXVI

A Statutory Advisory Council, comprised of public members selected to represent the principal areas served by the patent system, and appointed by the Secretary of Commerce, shall be established to advise him, on a continuing basis, of its evaluation of the current health of the patent system, and specifically, of the quality of patents being issued and the effectiveness of any internal patent quality control program then in operation, and whether an optional deferred examination system should been instituted or terminated.

Every fourth year the Council shall publish a report on the condition of the patent system including recommendations for its improvement.

The membership shall consist of not less than twelve nor more than twenty-four. The term of appointment shall be four years, with a maximum tenure of eight years. An executive director, and other support as deemed necessary, shall be provided.

Under this recommendation, a standing advisory body would be created by statute with public members representing the principal areas served by the patent system. This group would meet at regular intervals and would be responsible, on a continuing basis, for effectively analyzing the contemporary condition and needs of the system. The Council would utilize and suggest modern techniques for measurement and evaluation, and regularly report its findings and recommendations to the Secretary of Commerce.

The composition and continuity of the Council should insure objective evaluation of the quality of the patents being issued and enable it to recommend the institution or termination of an optional deferred examination system (Recommendation No.

IX). It also could observe the effectiveness of the recommended cancellation procedure (Recommendation No. XV).

In view of the great pressures on the patent system brought by, for example, the escalating information explosion, the Commission believes that the system's continuing welfare must not be left entirely to those preoccupied with its daily administration, or to examination by a once-in-a-generation Commission. Continuous review of the Nation's changing needs and the capacity of the system to respond is indispensable.

Patent Office Operations

XXVII

Adequate support of the Patent Office is required in order that it properly may perform its mission, now and in the future, irrespective of the nature of the patent examining system utilized. Therefore, it is recommended that:

The Patent Office should be supported adequately to insure first-class staffing, housing and equipment, and

Patent Office financing should be established on the following basis:

1. **The Patent Office should not be required to be entirely self-sustaining.**
2. **The Commissioner of Patents should be authorized to set fees for Patent Office services within broad guidelines established by Congress. Such fees shall be apportioned in accordance with the cost of providing the services.**
3. **The Patent Office should be authorized to establish a "revolving fund" of all its receipts to support its operation.**

The Commission cannot emphasize too strongly that the prime requirement for optimum Patent Office operation is a dedicated corps of career employees possessing a unique combination of scientific and engineering knowledge and the ability to make sound legal judgments. Assembling and retaining such a staff of highly trained professional personnel in a competitive manpower market requires, among other things, an increasing expenditure of resources.

Maximum utilization of the skills of any staff requires a working environment conducive to intellectual output. Supplementing such environment, the best available equipment must be provided for obtaining, storing, and retrieving pertinent prior art and for all other required supporting functions.

1. To recover 100% of Patent Office operating expenses on a sustained basis would require substantial fee increases. This could reduce overall inventive activity which, together with the resultant loss of technological disclosure, could adversely affect our economy. Limited subsidization of the Patent Office has substantial justification. The patent system's incentive to invent, disclose, innovate and market new inventions creates capital, jobs, and tax revenues which more than justify the relatively small expenditure of tax funds required to support Patent Office operations.

2. At present, Congress periodically enacts Patent Office fee legislation which includes a schedule specifically listing the fees that the Patent Office must charge for most of the services it provides. The fees set do not necessarily reflect the actual expense to the Patent Office in rendering particular services. Although Patent Office costs may rise, there is no present provision for a corresponding increase in its service charges. Hence, it is unlikely that any long term fixed relationship between fees received and Office expenditures could be maintained without continuing prompt legislative adjustments. This recommendation would permit the Commissioner of Patents, under guidelines established by Congress, to set fees for types of services and change them as conditions may demand. This would permit recovery of any desired percentage of expenses and provide a more equitable fee structure directly related to the cost of particular services.

3. At the present time, all fees received by the Office must be turned over to the Treasury promptly and the Patent Office must often seek supplemental appropriations because of conditions beyond its control. These include unexpected rises in printing costs and unpredictable increases in demand for services that are furnished below cost. Consequently, it faces periods of uncertainty and delay in carrying out needed programs.

Adoption of the present proposal would establish a fund, consisting of the fees paid for Patent Office services, for

partially financing Patent Office operations. Congressional appropriations could supplement this fund as necessary. The availability of this "revolving fund" would lessen the disruptive effects caused by delayed legislative action on appropriations. It would also enable the Patent Office to offer additional services to the public on a reasonable cost recovery basis.

XXVIII

The applicant should be permitted to amend his case following any new ground of objection or rejection by the Patent Office, except where the new ground of objection or rejection is necessitated by amendment of the application by the applicant.

The Commission believes that the desirable goal of reducing the backlog of patent applications reasonably should be balanced with the opportunity for an inventor to obtain a valid patent of proper scope. Thus, the applicant should be provided a fair opportunity for reshaping his claims to meet new rejections of the Patent Office. On the other hand, it is desirable to avoid prolonged pendency, which can be caused by successive amendments that substantially shift the subject matter area claimed.

Applied to specific problems which most commonly arise in Patent Office prosecution, a practice is envisioned in which: (a) if, prior to final rejection, the applicant should introduce new limitations not found in any of his original claims, the Patent Office could cite a reference in the final rejection to show these new limitations and refuse further amendment to the case; and, conversely, (b) if, following an amendment prior to final rejection, the Patent Office should cite a new reference which is a better anticipation of features previously claimed, the Patent Office could not terminate prosecution of the application.

XXIX

To accelerate the attainment of a system for the rapid and effective retrieval of pertinent information concerning patents, it is recommended that:

A study group comprising members from industry, technical societies and government should be established to make a comprehensive study of the application of new technology to Patent Office operations and to aid in developing and implementing the specific recommendations which follow.

1. **The United States, with other interested countries, should strive toward the establishment of a unified system of patent classification which would expedite and improve its retrieval of prior art.**

   The United States should expand its present reclassification efforts.

2. **The Patent Office should be encouraged and given resources to continue, and to intensify, its efforts toward the goal of a fully mechanized search system.**

3. **The Patent Office should acquire and store machine-readable scientific and technical information as it becomes available.**

   The Patent Office should encourage voluntary submission by patent applicants of copies of their applications in machine-readable form.

4. **The Patent Office should investigate the desirability of obtaining the services of outside technical organizations for specific, short-term classification and mechanized search projects.**

1. Until the advent of fully automated searching, when all prior art can be retrieved readily, a classification system will continue to be one of the important tools for conducting a prior

art search. The present diversity among national patent laws and classification systems results in a substantial amount of duplicative effort in examining applications on the same invention filed in more than one country. A common classification system would move the world closer to the desired international patent, if principles of patentability are similar (Recommendation No. XXXV), since each country would know what segment of prior art was previously searched by another patent office on an application for the same invention filed in that country. Moreover, it would insure that specialized data banks would be more complete by providing common guidelines as to what information should be included in each of these data banks.

2. As the amount of scientific and technical information continues to grow at a pace which makes the information unmanageable manually, mechanization appears to be the only solution to obtaining reliable, quality searchers of prior art. Hence, it is imperative to utilize fully the existing techniques of mechanized searching and to study new ones as they become available.

The Patent Office should cooperate with other U.S. agencies engaged in the development and implementation of mechanized information retrieval systems, to maximize their value to the Office as well as the other agencies.

The need for cooperative efforts with foreign nations and active participation by the Patent Office in international organizations studying problems of mechanical information retrieval is self-evident and should be pursued.

3. Obtaining as much contemporary information as possible in the form of perforated or magnetic tape, or the like, would permit continuous build-up of a data bank suitable for automated searching. This would avoid the future necessity of transcribing at one time huge amounts of printed information into computer-usable form and permit a speedier and less expensive change-over from a manual to an automated search system.

To insure compatibility of information in machine-readable form with automated data systems envisioned for future Patent Office use, industry, professional societies, government and all others generating data should cooperate in setting up acceptable standards for format and media for machine-readable data.

4. Utilization, on a contract basis, of any knowledge, experience and expertise of outside organizations specializing in mechanized information retrieval technologies could serve as an expeditious and economical means for solving problems which otherwise would require very expensive in-house training, experimentation and delay.

XXX

To facilitate the public dissemination of technological knowledge, and other patent related information, it is recommended that:

The Patent Office should:

1. **Proceed vigorously with the implementing of its plan for microform reproduction of all search files; and**

2. **Cooperate with foreign national patent offices and international patent organizations to develop a worldwide index of patents and published applications for patents.**

1. The Commission recognizes that any visual microform system is intended only as a bridge between the present methods of information storage and retrieval, and future fully automated mechanized search systems (Recommendation No. XXIX). Meanwhile, however, there is the possibility of storing great amounts of information on small quantities of film or cards, which can be readily inspected with semi-automatic reading devices. This not only increases the capability of the searcher to scan more material in a given time but also makes economically feasible the placing of complete copies of classified search files in locales outside the Patent Office. This would permit establish-

ment of satellite public search facilities throughout the United States, resulting in greatly improved dissemination of the technological and legal information contained in patents.

2. On an average, patents now are granted in three different countries for each invention, and an average of 650,000 patent applications are filed each year in eighty different patent offices. These figures lend substantial weight to the desirability of a worldwide patent index. Such an index would provide prompt and reliable means for obtaining information relative to the existence and status of particular patents or applications in any country in the world.

Transition

XXXI

The legislation implementing the proposed recommendations of the Commission should become effective as soon as practical with regard to both patents and pending applications.

Many recommendations, such as the presumption of correctness to be given Patent Office decisions, reasonably could be applied to all pending applications. Others, such as those relating to patent term and prior art, should not apply to pending applications. Specifically, any application filed prior to the effective date of implementing legislation, which is still pending four years after its earliest effective filing date, or two years after the enactment of such legislation, whichever is later, should be published in a manner similar to that of the recommended initial publication (Recommendation No. VII).

Many recommendations, such as those concerning the Civil Commissioner and the expedited procedure for limited claims, could apply to all patents, whenever issued.

It is expected that the legislative draftsmen will determine the time each statutory change proposed may be implemented most effectively.

Government Patent Policy

XXXII

The Commission has noted the increasing participation of the Federal Government in the financing of research, development, testing and engineering, and the many problems related to the ownership of patents resulting from such work.

The Commission decided not to address itself to the question of the distribution of rights in inventions resulting from research and development work financed wholly or in part by the Government. This question is being considered actively elsewhere in the Executive Branch and by Committees of the Congress.

Nevertheless, it is the Commission's hope that any action Congress may take in this regard will promote the purposes of the patent system to encourage invention and innovation and the resulting economic development and benefits.

International Action

XXXIII

To promote more harmonious international relations, particularly with regard to the protection of industrial property:

The United States should take a position in favor of the proposed revision of the Paris Convention whereby a right of priority may be based on an application for an inventor's certificate.

Some member countries of the Paris Convention, in particular the U.S.S.R. and some Eastern European countries, issue inventor's certificates as well as patents. While some Convention countries voluntarily recognize inventor's certificates for priority purposes, there is no obligation under the Convention to do so. At present, the U.S. patent statute prevents the recognition for priority purposes of anything but an application for patent in another Convention country.

The proposal for revision is on the agenda of the Stockholm Conference, which is to be held in 1967. According to the proposal, the date of an application for an inventor's certificate in one Convention country would be recognized for priority purposes in all Convention countries. It is noted that the proposed revision is limited to inventor's certificates from countries in which inventors have the right to apply for either a patent or an inventor's certificate.

XXXIV

Efforts should be made to have the Paris Convention modified to remove any obstacle to measuring the term of a patent from an effective foreign filing date.

The present text of the Paris Convention requires that "Patents obtained with the benefit of priority shall have in the various countries of the Union a duration equal to that which

they would have had if they had been applied for or granted without the benefit of priority."

Since the Convention forbids calculation of the term of a patent from the foreign filing date, it prevents measurement of the term from the effective filing date when foreign priority is claimed. Thus a foreign applicant who can claim a foreign priority date would receive a longer period of protection than an applicant who filed a domestic application on such date. Of course, a corresponding advantage is accorded U.S. inventors filing abroad.

Movement toward a universal patent system (Recommendation No. XXXV) would be promoted if an entire international family of related patents expired at the same time. This requires a common measuring point for the patent term. The effective (foreign or domestic) filing date, unlike the earliest domestic filing date, would constitute such a common measuring point.

XXXV

The Commission believes that the ultimate goal in the protection of inventions should be the establishment of a universal patent, respected throughout the world, issued in the light of, and inventive over, all of the prior art of the world, and obtained quickly and inexpensively on a single application, but only in return for a genuine contribution to the progress of the useful arts.

To this end the Commission specifically recommends the pursuit of: (1) International harmonization of patent practice, (2) the formation of regional patent system groups, and (3) a universal network of mechanized information storage and retrieval systems.

There are great differences today among the patent systems of the various countries. The inventor who desires worldwide or even multi-national patent protection for his discovery must file a multitude of applications, each governed by a separate and distinct system of laws, rules, regulations and procedures.

Even after the patent has been obtained, the inventor is confronted with diverse systems of maintaining patent protection.

These factors increase the cost of securing multi-national patent protection and often cloud the status of an invention in a particular country, thus discouraging foreign investment and marketing.

If change is to be achieved, nations must adopt a single set of long-range goals to guide their intermediate and short-range movements. Any attempt by revolutionary change, to scrap present systems in favor of new ones, in the United States or abroad, is neither feasible nor desirable. It is, however, both possible and advantageous to promote and direct interim steps toward the ultimate goal—a universal patent.

To the extent that harmonization of U.S. practice with prevailing foreign practice can be attained without injury to the quality of the U.S. patent system, such harmonization should be introduced as a first step toward the desired goal. This consideration applies both to the substantive law and to the forms and procedures for implementing it. Other recommendations in this report are responsive to this general objective.

Where, however, U.S. practice appears to be the superior one, it is recommended that appropriate Federal agencies make efforts to secure harmonization compatible with U.S. practice.

As an intermediate step toward attainment of a universal patent, the formation of regional patent system groupings should be encouraged. Within such groupings there will inevitably develop a mutual respect for the search and judgment capabilities of the members. This should lead to cooperative searching and, beyond that, to mutually recognized patents among the members of the group. The avoidance of the duplication of effort, expense and delay is a clearly attainable benefit from such a development.

Finally, as an adjunct to achieving the ultimate goal of a universal patent, the Commission envisages the establishment of a universal network of mechanized information storage and retrieval systems involving all of the patents and other technical literature of the world.

CHARTS

Charts 1 through 5 illustrate a number of recommended changes by providing a graphic representation of procedural steps and effects arising therefrom. Much of the wording used is abbreviated and should be read in the context of the specific recommendation referred to by number.

The flow of events proceeds from top to bottom. Broad arrows pointing *into* the system indicate conditions affecting the system's flow, while broad arrows pointing *outward* from the system, signify results emanating from the system's flow.

CHART 1

Filing An Application

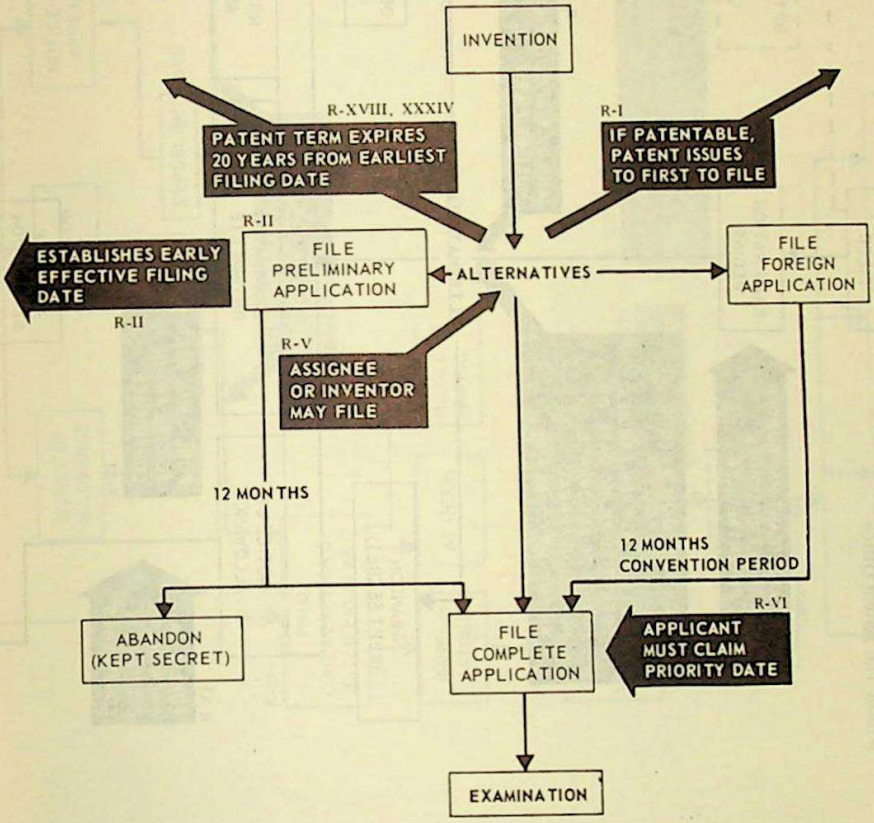
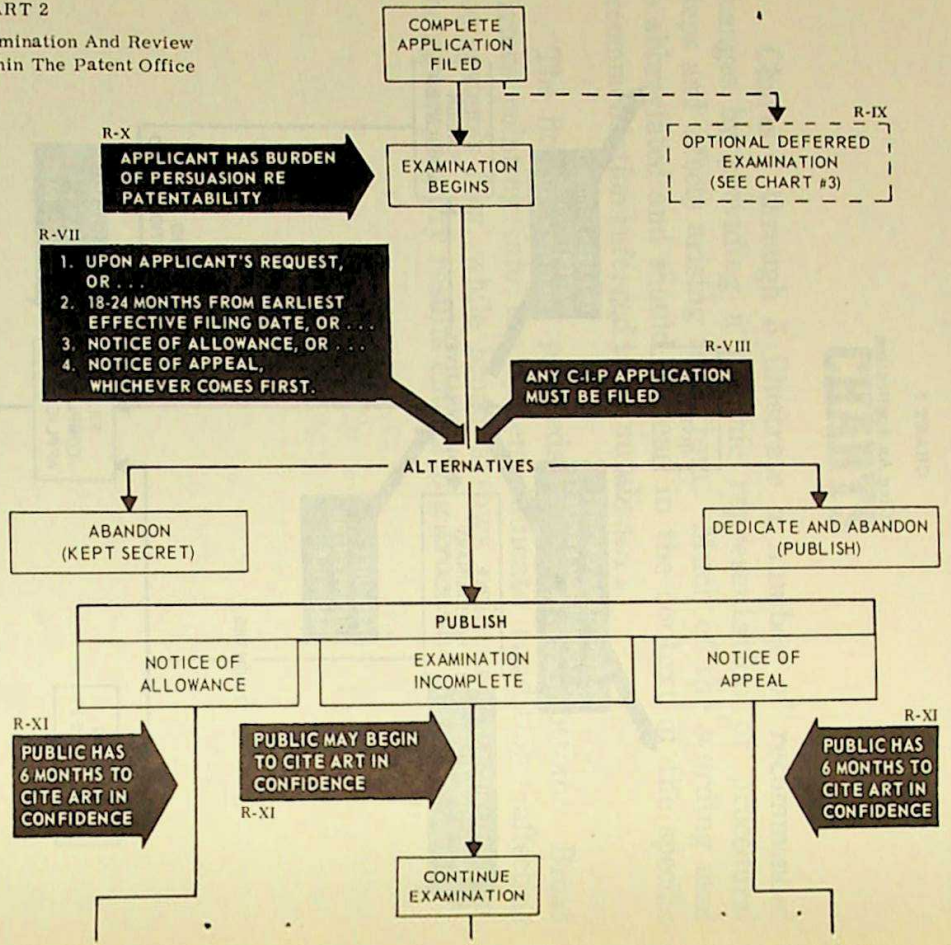


CHART 2

Examination And Review
Within The Patent Office


COMPLETE APPLICATION FILED
R-IX
OPTIONAL DEFERRED EXAMINATION (SEE CHART #3)
R-X
APPLICANT HAS BURDEN OF PERSUASION RE PATENTABILITY
EXAMINATION BEGINS
R-VII
1. UPON APPLICANT'S REQUEST, OR . . .
2. 18-24 MONTHS FROM EARLIEST EFFECTIVE FILING DATE, OR . . .
3. NOTICE OF ALLOWANCE, OR . . .
4. NOTICE OF APPEAL, WHICHEVER COMES FIRST.
R-VIII
ANY C-I-P APPLICATION MUST BE FILED
ALTERNATIVES
ABANDON (KEPT SECRET)
DEDICATE AND ABANDON (PUBLISH)
PUBLISH
NOTICE OF ALLOWANCE
EXAMINATION INCOMPLETE
NOTICE OF APPEAL
R-XI
PUBLIC HAS 6 MONTHS TO CITE ART IN CONFIDENCE
PUBLIC MAY BEGIN TO CITE ART IN CONFIDENCE
R-XI
R-XI
PUBLIC HAS 6 MONTHS TO CITE ART IN CONFIDENCE
CONTINUE EXAMINATION

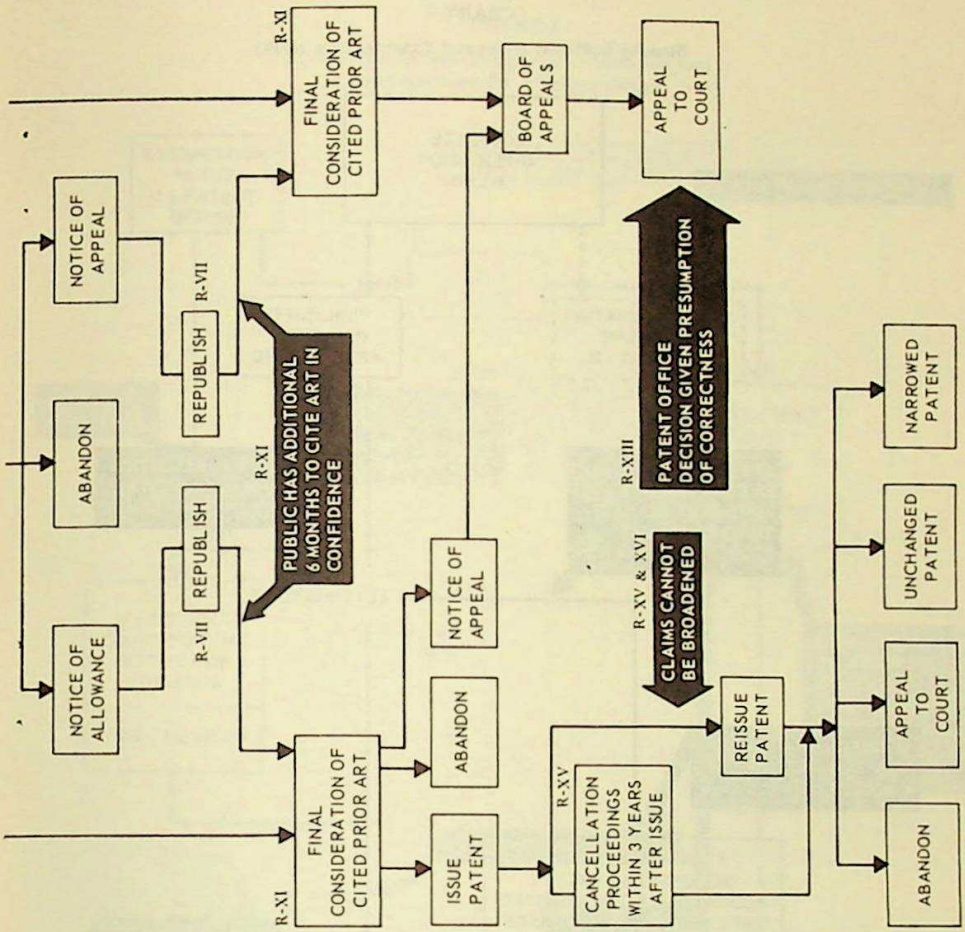

NOTICE OF ALLOWANCE
ABANDON
NOTICE OF APPEAL
R-VII
REPUBLISH
R-VII
R-XI
PUBLIC HAS ADDITIONAL 6 MONTHS TO CITE ART IN CONFIDENCE
R-XI
FINAL CONSIDERATION OF CITED PRIOR ART
R-XI
FINAL CONSIDERATION OF CITED PRIOR ART
ABANDON
NOTICE OF APPEAL
BOARD OF APPEALS
APPEAL TO COURT
ISSUE PATENT
R-XV
CANCELLATION PROCEEDINGS WITHIN 3 YEARS AFTER ISSUE
R-XV & XVI
CLAIMS CANNOT BE BROADENED
REISSUE PATENT
R-XIII
PATENT OFFICE DECISION GIVEN PRESUMPTION OF CORRECTNESS
ABANDON
APPEAL TO COURT
UNCHANGED PATENT
NARROWED PATENT

CHART 3

Standby Optional Deferred Examination (R-IX)

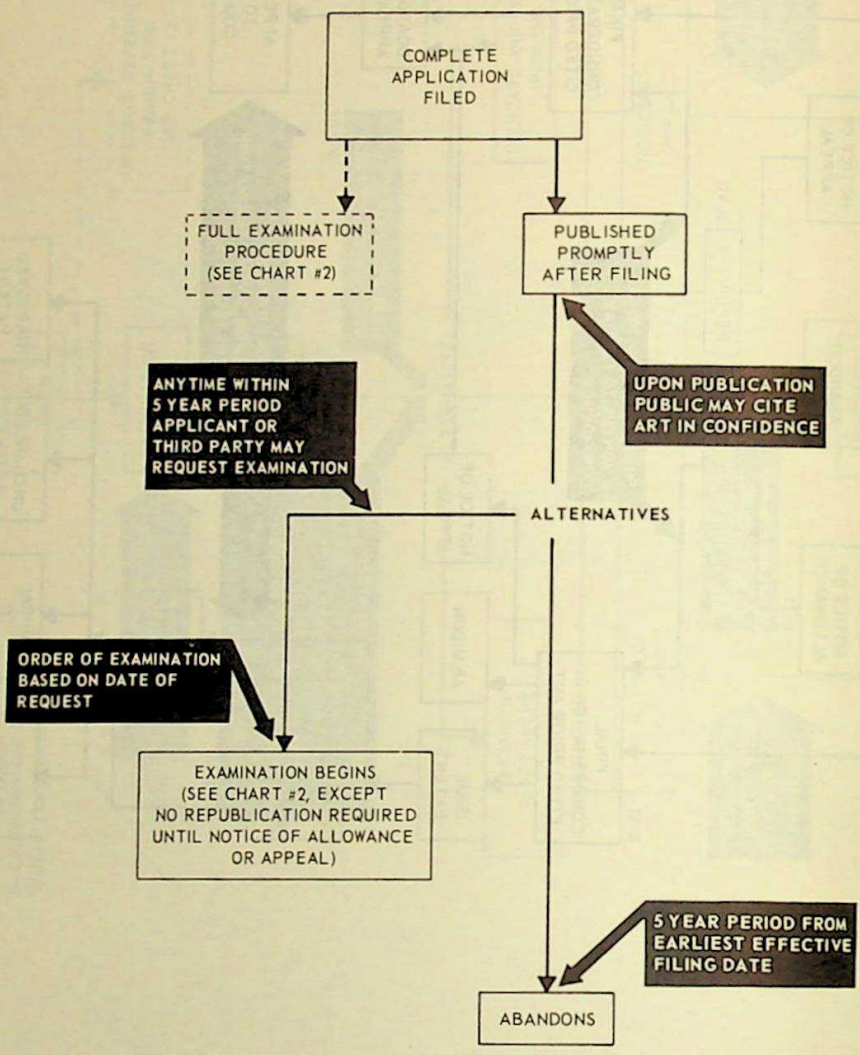

COMPLETE APPLICATION FILED
FULL EXAMINATION PROCEDURE (SEE CHART #2)
PUBLISHED PROMPTLY AFTER FILING
UPON PUBLICATION PUBLIC MAY CITE ART IN CONFIDENCE
ANYTIME WITHIN 5 YEAR PERIOD APPLICANT OR THIRD PARTY MAY REQUEST EXAMINATION
ALTERNATIVES
ORDER OF EXAMINATION BASED ON DATE OF REQUEST
EXAMINATION BEGINS (SEE CHART #2, EXCEPT NO REPUBLICATION REQUIRED UNTIL NOTICE OF ALLOWANCE OR APPEAL)
5 YEAR PERIOD FROM EARLIEST EFFECTIVE FILING DATE
ABANDONS

CHART 4

Review Of The Patent Office And Judicial Actions Initiated By A Patent Owner

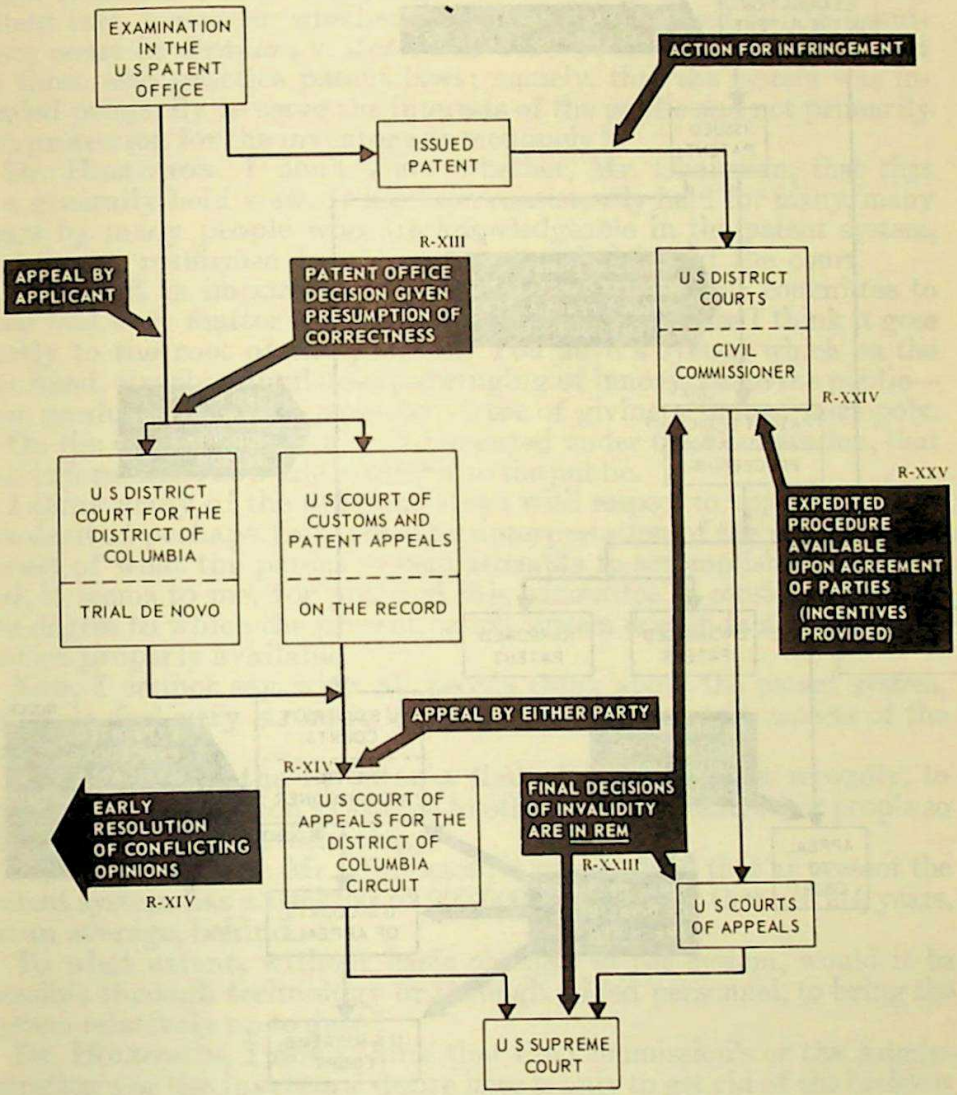
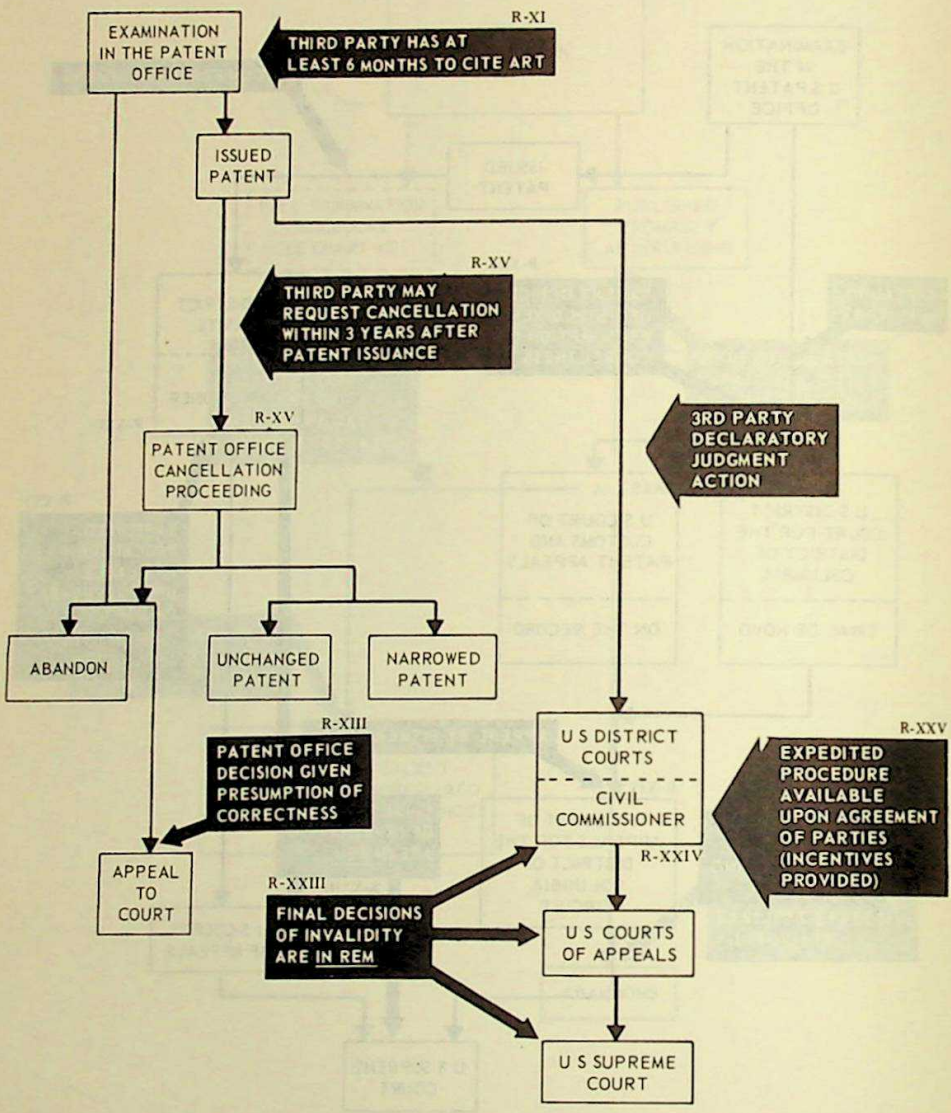

EXAMINATION IN THE U S PATENT OFFICE
ISSUED PATENT
ACTION FOR INFRINGEMENT
R-XIII
APPEAL BY APPLICANT
PATENT OFFICE DECISION GIVEN PRESUMPTION OF CORRECTNESS
U S DISTRICT COURTS
CIVIL COMMISSIONER
R-XXIV
R-XXV
EXPEDITED PROCEDURE AVAILABLE UPON AGREEMENT OF PARTIES (INCENTIVES PROVIDED)
U S DISTRICT COURT FOR THE DISTRICT OF COLUMBIA
TRIAL DE NOVO
U S COURT OF CUSTOMS AND PATENT APPEALS
ON THE RECORD
APPEAL BY EITHER PARTY
R-XIV
EARLY RESOLUTION OF CONFLICTING OPINIONS
R-XIV
U S COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT
FINAL DECISIONS OF INVALIDITY ARE IN REM
R-XXIII
U S COURTS OF APPEALS
U S SUPREME COURT

CHART 5

Administrative And Judicial Procedures
Initiated By The Public (Third Parties)



Mr. KASTENMEIER. The committee may not have enough time this morning to ask you all the questions suggested by your presentation. If not, I suggest that after the adjournment of the meeting today, we try to determine whether a subsequent time can be arranged for us to get together.

Dr. HOLLOMON. We are always ready to come back.

Mr. KASTENMEIER. In any event, I am sure that as subsequent testimony is presented, additional questions will arise which will need to be posed to you.

Dr. Holloman, as one who is not particularly knowledgeable about patent law, I wonder whether, in the views expressed by the unanimous court in *Graham* v. *John Deere Corporation* is generally held by those who practice patent laws; namely, that the system was intended primarily to serve the interests of the public and not primarily as a protection for the inventor as a monopoly?

Dr. HOLLOMON. I don't know whether, Mr. Chairman, that that is a generally held view. It has been consistently held for many, many years by many people who are knowledgeable in the patent system, and it was reaffirmed by the unanimous decision of the court.

I think it is important to the deliberations of this committee to keep that very matter in mind as one proceeds, because I think it goes partly to the root of the problem. You have a system which on the one hand, clearly stimulates the bringing of innovation to the public—new products and processes—by virtue of giving a limited monopoly.

On the other hand, it also is requested under the Constitution, that this information be made available to the public.

I think many of the different views with respect to appropriate law are derived perhaps from some misinterpretation of the real balanced thrust of what the patent system attempts to accomplish. It is essential, it seems to me, for you and this committee to consider seriously the degree to which the present patent system does in fact, make information properly available.

Now, I cannot say what all people think about the patent system, but I do feel very strongly myself, that there are two aspects of the problem.

One is to give the inventor a limited monopoly but secondly, to make that information available to other inventors and other people so they can build on the technology.

Mr. KASTENMEIER. Mr. Hollomon, it was testified that at present the patent system has a backlog of 200,000 applications that are 2½ years, on an average, behind.

To what extent, without basic changes in the system, would it be possible through technology or through added personnel, to bring the system relatively up to date?

Dr. HOLLOMON. I don't think that the Commission's or the Administration's or the inventors' desire here is only to get rid of the backlog. I really believe that the ways in which research and development and technology are done—the degree to which we participate in world matters and international trade—are different than the situation 50 years ago, and we always undergo long lags in our society before we adjust to changing circumstances.

I don't view the present bill as aimed primarily at eliminating the backlog. We have made some reduction in backlog in the last few

years. It is my view that if we could hire people fast enough, which is not limited wholly by money but also by the availability of people, particularly in these times where technical people are being competed for by many parts of the society, with adequate funds and appropriate administration, I think we could gradually take care of the backlog. But I don't really think that is the problem, I never have felt that that was the problem.

Mr. KASTENMEIER. That would be an incidental benefit of the change?

Dr. HOLLOMON. That would be an incidental benefit of the change, but I don't believe that is the appropriate basis of the change. The problem of the backlog at the moment simply adds to the problem of not making the information available. Whether we had a backlog or not, under this newly proposed legislation, with the publication after—is it 18 to 24 months—information would be available to the public, backlog or no. I think that is a more important proposal than whether we get rid of the backlog.

Mr. KASTENMEIER. I have a different question.

I am wondering to what extent you considered the political difficulties that might arise from asking thousands of practitioners, thousands of companies, industrial units and others who use patents, to conform to radical changes in practice?

What was your evaluation of that factor, as you devised this new system you offered today?

Dr. HOLLOMON. Well, first, I would like to make clear for the record that I did not devise it. Neither did Ed Brenner, here.

Mr. KASTENMEIER. The President's Commission.

Dr. HOLLOMON. Yes.

Mr. KASTENMEIER. You speak as an advocate of it.

Dr. HOLLOMON. I speak clearly as an advocate of it, yes.

I think the Commission did in fact, take this into account. I think always, the Congress particularly, has to take into account, the best balanced interest of the public. I know of no piece of legislation of any significance that does not hurt somebody temporarily. I just don't think it is possible to make a change in the way in which we operate the system, without having somebody discombobulated in some way.

There are people who practice in the patent system at the present time who will have to learn new rules and new techniques which will have to be employed, and there will be a short term cost to those people; but when I look at the possibility, for example, which I have great optimism in, of having the essence of an international patent system look at our problems and flow of technology around the world and say, "Are these steps," for example, and not that this is the most important thing, "worth while in those terms."

I look at the estimated $150 to $200 million that foreign patent protection is costing U.S. businessmen currently—that is what it is costing them in duplicated foreign filing—that we are not getting this information out to the public, promptly; that we have extraordinary costs on interference procedures; and that there is uncertainty of the validity of the patent because we don't know which court to depend on, and therefore, the man who owns the patent really does not know what he has got.

I say therefore, those values, in my own view, far and away exceed what I am sure is going to be some costs on the part of the people

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who are engaged, particularly the specialists who engage in the patent art.

I think that is true in any kind of legislation we ever pass. That is why I think it is so important that these changes and procedures not be sort of negotiated within the administration. You know, we have been asked to say, well, why have we not had long time negotiation between Mr. Brenner and the patent bar and others, to come up with a more consensus kind of supporting bill before we go to Congress. I think that would be a huge mistake, because I think the Congress has got to weigh these benefits, and costs to the public, and it is my own personal view that the discombobulation of local costs will be far outweighed by the benefits.

For instance, let me put it this way.

I am just as sure, if the United States had adopted in 1836—whatever it is—the first-to-file procedure, let's suppose, rather than first-to-invent, we had the first-to-file regulation in the patent legislation of 1836, I am just as sure that there would be just as many people opposed to going to the first-to-invent today, as who conversely are in that situation. I am just as sure of it as I can be, because it changes the ground rules, and that is a very difficult thing to do.

We had the same problem on traffic safety legislation; we have the same problem on anything in which you have to look at the public interest as over and against that of particular private interests, and I don't know—the only thing I can say to you is that we weighed this as carefully as we could and really, on a nonpartisan basis. Congressman Poff called it nonpartisan. I don't see anything partisan about this bill, this proposal, in any sense whatsoever.

The administration weighed these factors as carefully as it could and said, the costs are far outweighed by the benefits. Therefore, we should proceed.

Mr. KASTENMEIER. Dr. Hollomon, in a different field, the international field, I assume that the judgment was made that it would be an obvious benefit to American industry to update the law with respect to American patent protection abroad and I know that you have been engaged in international conferences.

Last night, however, on a national network show, there was 1 hour on how Europe regards the United States. Part of the thesis of that 1 hour was that there is fear abroad of economic overpenetration by the United States in Europe.

Dr. HOLLOMON. Correct.

Mr. KASTENMEIER. How would Europeans regard a law which enables American business with greater facility to get the patent protection in Europe?

Dr. HOLLOMON. There are two aspects to that question.

One is, our present law, obviously acts in practice in a way which is detrimental and unfair to Europeans with respect to getting patents in the United States.

Their priority runs from the first-to-foreign-filing, rather than the first-to-invent, and we act in a way which some have felt is prejudicial to the European.

I believe that Europeans feel—and Ed Brenner can speak to this—with unanimous consent, the countries he is working with in trying to get a universal law, that the advantages to them of reducing this

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enormous overburden of U.S. filings, in their countries, and the ability to get patent protection in this country, far outweighs the cost to them of American entry into their markets.

I have just, as I say, come back from a long discussion of this very problem. I am confident that the Europeans are deeply concerned about our penetration, but they are concerned about their inability to penetrate this market, and both are true.

Mr. KASTENMEIER. Just two further questions so that our colleagues may have an opportunity to ask questions, also.

I would like to ask Commissioner Brenner whether changing from a first-to-file basis with a preliminary application, at let us say $10, won't cause an absolute flooding of your office with preliminary applications? If they are so easily obtained on a defensive basis, why would not every company and every inventor file these preliminary applications?

Mr. BRENNER. Well, Mr. Chairman, we estimate that in say, 1972, we would receive perhaps 200,000 preliminary applications. This would compare with a receipt of about 100,000 complete applications.

The filing of preliminary applications would not place any substantial burden on the Patent Office because these preliminary applications would not be examined by our examiners. They simply would be dated and filed for a year. If a complete were filed, then the preliminary would be added to the file of the complete. If there were no complete filed, the preliminary would be destroyed. This would be a clerical effort involved in handling the preliminaries, rather than a professional effort.

I would like, if agreeable to you, to make a few comments on the question you asked Dr. Hollomon with regard to the first to file.

I think that if it were now being proposed that we should change from a first-to-file to a first-to-invent system we would find that the number of criticisms and objections that would be raised to that change, would be much greater than those that will come forward with regard to the reverse situation. I would like to mention a few points that I believe are important for everyone considering the present matter to keep in mind. What you would be saying, in effect, is that an inventor, rather than being able to enter the patent system with an informal preliminary application at say, $10, would now have that right removed. He would now have to file a complete application, which would cost him a substantially greater amount of money.

Also, instead of being able to file this application and thereby establish a firm legal date, he would no longer find himself in this position. He would find himself getting perhaps into these very time-consuming and costly interferences. Thus, if you extend the analogy along these lines, I am convinced that there would be more criticism and more objection raised to looking at the reverse situation.

One further point that I think bears on the present matter is that, really, at the present time, I think it is essential for any inventor or applicant to operate pretty much on a first-to-file system. The reason that I say that, is this: If you think you have a good invention, and you are interested in obtaining the maximum market, you have to look now, more than ever, not only at the U.S. market but at the world market. Now, with regard to obtaining protection in foreign countries, you have to proceed on the basis of their ground rules which are the

first to file, which means in any priority contest between competing inventors, the patent is awarded to the first to file. Further, any publications or public use in any place in the world prior to your filing, would bar you. So you have to adjust your thinking along the line of the first to file in order to get the maximum benefit from your potential patent protection.

Mr. KASTENMEIER. One last question, Commissioner Brenner—and I ask this as one who fundamentally supported the Patent Office in its earlier fee revision proposals including, at that time, the maintenance fee structure.

I refer to your suggestion that the fees be set by regulation. You, of course, note that the Congress declined to accept the type of change in fee structure that you sent down and now at this time, you suggest that perhaps Congress ought to have nothing to do with it and that you could set some sort of system like this, apparently, by regulation. Isn't this really the thrust of your statement?

Mr. BRENNER. Well, the proposal is that the fee structure would be established by the Commissioner within guidelines established by Congress and the bill indicates that the fees should recover 65 to 75 percent of the Patent Office budget.

I think the thrust of our proposal here is to have the Congress establish broad guidelines, whatever they feel would be appropriate, and then to provide the administrative flexibility to adjust the fees to bring up the income of the Patent Office to a level that the Congress feels is satisfactory.

Mr. KASTENMEIER. As one who supported the concept of maintenance fees, nevertheless, I suggest that apparently, the Congress is not willing—at least, it has not been willing—to go along with what the Patent Office recommends in terms of fee structure, and I wonder whether it would be willing to make that concession?

Dr. HOLLOMON. Mr. Chairman, a guideline which you could introduce would be, there would be no deferred payments. That is a guideline which could be introduced into the legislation.

The difficulty is that it took us years and years at great loss in the public Treasury, in my view, in getting the fees up to any reasonable basis, 30 years too late, and while we are suggesting whatever guidelines the Congress wishes to apply, simply let us adjust the fees.

Now, with respect to one of the greatest mistakes, I think, we ever made, was to call the proposal the administration made "maintenance fees." If we were to call them "deferred payments," I am not sure whether we could not have gotten it passed, because that is what they really were. You know, not many people are opposed to deferred payments, but I think we made a mistake in nomenclature.

Mr. KASTENMEIER. Thank you. I appreciate your comments.

Mr. Edwards?

Mr. EDWARDS. One question, Mr. Chairman.

Under a first-to-file system, would there be danger of premature disclosure of confidential information by the inventor?

Mr. BRENNER. Well, under the first-to-file system, if somebody without authorization disclosed the invention, the bill would provide that an application could be filed within a certain period of time after that to protect your rights. This would be with regard to unauthorized disclosure.

With regard to voluntary disclosure on the part of the applicant, of course, this is within his responsibility whether he would wish to do that or not. He is in control of that.

Dr. HOLLOMON. I think the Congressman's question has to do with whether the fact that you had an early preliminary application would divulge anything to a potential competitor.

The answer to that question is "No, sir."

The preliminary application would not be made public. It would be made in the same kind of secrecy and protection that an application is made at the present time.

There would be another provision, which really is related or unrelated to the first-to-file, whichever way you look at it, which is that in 18 to 24 months, the patent application would be made public. At that time, then, you are divulging something, but prior to this the preliminary application would be completely secret and protected in the same way as an application is at the present time, with no divulging to competitors.

Mr. EDWARDS. That answers my question, Mr. Chairman.

Mr. KASTENMEIER. Thank you.

Incidentally, the Chair would like to acknowledge the presence in the room of former Commissioner Watson. Mr. Watson, you are indeed welcome to this committee. In the past years, you appeared before it often and the committee desires to state that it is happy to see you here.

The gentleman from Virginia.

Mr. POFF. Mr. Chairman, many of the questions I had intended to propound have been preempted but I would like to pursue, if I may, the question concerning the request for congressional delegation of authority for setting fees.

I wonder where in the present executive establishment, you found a parallel for that proposal?

The Copyright Office does not have a similar authority.

The referee in bankruptcy does not have a similar authority.

The National Park Service does not have a similar authority.

I just wonder what prompted the proposal.

Mr. BRENNER. Well, Mr. Congressman, there were several reasons. One, as Dr. Hollomon has just referred to, is to provide administrative flexibility so that the percentage of recovery of our costs through fees, could be maintained at a level that Congress thought was satisfactory.

A second reason would be to provide flexibility with regard to changes that may come into the picture.

For example, one of the recommendations of the Commission report was to encourage applicants to submit their applications in computer language. Now, of course, not everybody would be in a position to do that but the extent that people would be in a position to do that, which would mean savings in our system, we could provide a fee incentive. In other words, for encouraging something like that. There are a number of other situations where this approach would be possible.

To a large extent, it just goes to the question of response time, which would enable us to react faster to changing conditions, and to keep our level of fees at a point that Congress felt was necessary.

Mr. POFF. If I may respond, I can appreciate your desire to have a certain amount of what you described as flexibility which I sup-

pose, includes the definition of the word discretion, too, and I can understand why speed might sometimes be necessary.

On the other hand, I can understand how it might be wise that such discretion and flexibility be retained in the hands of the elected representatives of the people and for similar reason, that speed is not always meritorious. Sometimes a deliberate process and a delay may best serve the ends of justice. I ask you again, where did you find the parallel which prompted the proposal?

Dr. HOLLOMON. I think there are no exact parallels, Mr. Congressman, but for example, in the sale of documents and charts, we have the authority to set the fees in relation to the costs, and those fees are set completely in relationship to certain guidelines that are established by the Congress.

Now, the point here is that we would not want to do anything which you did not set the guidelines for. Tell us essentially what you want done with respect to the fees. That, I think, we should do.

These are also set in a sense, by the Congress in the budget process where the Appropriations Committee hears the question of the cost.

What we are suggesting is that the Congress set the guidelines, but don't be so rigid that the exact adjustments to be made could not be made rather promptly. I would never ask the Congress to do this without appropriate guidelines.

Mr. POFF. Would not the same arguments that you used to testify to this proposal apply in the case of the Copyright Office?

Dr. HOLLOMON. I have not looked at the copyright law. I don't know whether that principle is established—the general principle accepted by Congress in the case of patent law is that they wanted us to recover something like 75 percent of the cost. We got down to recovering something like 20 percent of the cost—30 percent of the cost before the fees were readjusted by the Congress.

Mr. POFF. Well, I believe—and I am not sure about the figures, because my memory doesn't serve me that well—but I believe that the fee structure which the Congress fixed in the case of copyright law, has served to return better than 100 percent of the cost.

Dr. HOLLOMON. If that is what Congress would like to do with the present law, that is all right.

Mr. POFF. Would it also be all right if the Congress decided it would like to retain the control it now has, to fix the fees?

Dr. HOLLOMON. Mr. Congressman, it is obviously all right. We recommend to you strongly that you allow the Commissioner this flexibility within the guidelines you set.

Mr. POFF. Now, with reference to the proposal to eliminate the grace period, I ask rhetorically if it would tend to cause inventors, in an effort to protect themselves, to file sometimes on incomplete or premature disclosures?

Is this not likely, possibly?

Dr. HOLLOMON. I would think that the preliminary may well be "iffy" as far as the inventor is concerned. I see nothing wrong with that.

Mr. POFF. You indicated earlier, increased workload; that the consideration likely would increase the workload.

Dr. HOLLOMON. No. I do not think it would increase the workload.

Mr. POFF. You do not think it would increase the workload in your office?

Dr. HOLLOMON. In the Patent Office, no, sir; because the preliminary application is not to be examined. It is only to be put on file with the date and after 1 year; if a complete application is not filed, the preliminary application would be destroyed. I don't think that the clerical workload of stamping and putting a document in a file as to date, would be a substantial increase in workload. I think the benefits accruing from it are just overwhelming compared essentially, as the Commissioner said, to the clerical cost involved.

There is no examination of that preliminary application. That is where our costs are. Our costs are in examination and searching and coming to a decision. Our costs are not in the handling of a lot of documents.

Mr. POFF. Some have suggested that the proposal to abandon the grace-period concept might give the corporate patent department an advantage over the individual patent attorney and the individual inventor, inasmuch as it is argued the former would be able more methodically and efficiently and promptly, to process the preliminary application and protect itself.

Do you care to comment on that?

Dr. HOLLOMON. Yes, I think the converse. It seems to me that the present system is one in which the individual inventor, having to file first a complete application, is at a very great disadvantage to the sophisticated and knowledgeable businessman; whereas, under this system, the individual inventor, knowing the rules of the game, can provide a preliminary application which he himself, without aid of the patent attorney or anybody else, could file.

I think that any advantage of this kind of system runs, if it runs at all, to the small businessman, the small inventor. One of the people engaged in this exercise with us that was on the Commission, represented the Small Business Administration. They feel very strongly that this kind of device is of advantage to the smaller man because the keeping of records is just too complex. Anyone who has ever looked—and I suggest that the committee might take a look at some of the notebook records that have to be kept and see who you think is more able to keep those properly certificated and up to date, the small or the large company. Having operated in that system, I just have no doubt about it.

Mr. POFF. I am looking now at section 111 and inasmuch as the concept of the definition of the owner of the invention is somewhat at variance with the definition of ownership of personal property, I wonder if it would not be well to include a definition in section 111, or do you think that reference to other sections of the bill may be sufficiently explicit as to obviate that?

Mr. BRENNER. Mr. Congressman, I believe we felt that the present language is sufficiently clear, but we would certainly be very interested in reexamining this to further clarify it, if it is necessary.

We believe that the term "owner" has a definite legal meaning, at least in the field of patents; but we would be happy to look at that closely to make sure that it is completely unambiguous.

Mr. POFF. I would be glad if you would.

Now, I am looking at section 120 on page 15 of the bill. I am wondering if the problem of the Patent Office might not be enlarged and the work of the courts perhaps increased, by the necessity of apparently

further determining whether the preliminary application filed constitutes a sufficiently complete disclosure of the invention to warrant granting of a patent when and if the complete application is finally filed.

Mr. BRENNER. Well, sir, we believe that the use of the preliminary would actually simplify and expedite our work. I would like to point out that we would not examine these preliminary applications in all cases. It would only arise in a limited number of cases where two inventors had close filing dates, or there was some prior art that came into the picture between the filing of the preliminary and the filing of the complete. It would be simpler for our examiners to operate with these preliminaries because they would know then, precisely what the dates were and what the disclosure was.

At the present time, because we are not operating this way, the applicant has an opportunity to file an affidavit "swearing back" of some of these interim publications. This complicates the work of the examiner, because he never knows in his searching just when there might be a possibility to do this; so in effect, in these cases, he has to do the job twice. He examines it first, without knowing if there is any earlier date; and, then if it turns out that there is an earlier date, then he has to reexamine the situation.

So at least, as we see it, the use of preliminary applications would simplify and expedite our work.

Mr. POFF. Do you think it would serve any useful function if section 120 were to spell out a presumption of correctness in the Patent Office's determination of the breadth of the disclosure of the preliminary application?

Mr. BRENNER. Well, I think, Mr. Congressman, the preliminary application would speak for itself. It would be good for all that it disclosed and I don't know whether you could really give a presumption over and above what might be disclosed in the preliminary. This, I think, is an important part of the bill and we will be interested in hearing any testimony that would indicate how to improve the operation of the preliminary.

Mr. POFF. Now, if I may direct your attention to section 123 under paragraph—subparagraph A—of that section, may I ask if complete applications ultimately to be abandoned, will nevertheless be published?

Mr. BRENNER. If the prosecution on the application were not concluded within 18 to 24 months, then the application would be published, and then perhaps the abandonment would come later; but, if the application were examined before this time for publication, the applicant could abandon the case in secrecy. Also, I believe the law provides that at the option of the applicant, if he would like to have his application published, this would be possible and there are certain applicants in certain situations that would desire to do this.

Mr. POFF. Now, if I may go to section 136, which has to do with reexamination after publication. Would it perhaps be appropriate to specify in this section of the bill that the first person who makes citations be made known to the patentee, so that he can take into account who the informant is, and his relationship to the situation.

Dr. HOLLOMON. No. In our view, Mr. Congressman, I think it would discourage it.

The purpose of the citation period is not an adversary proceeding.

Let me go back to the question.

We have a couple of thousand—how many examiners do we have in the office?

Mr. BRENNER. About 1,050.

Dr. HOLLOMON. 1,050 examiners in the Office. The rate of growth of the technical literature of the world, is 8 to 10 percent a year. It is simply becoming impossible for the examiner to know thoroughly all of the pertinent art. He is pretty well up on the patent art, but the technical art is just very difficult.

Now, the whole purpose of the Commission's recommendation in this section is not to have an adversary proceeding, but simply to have a means whereby somebody with incentive can bring to the attention of the examiner pertinent art that he may have overlooked. It is not a question of saying, you know, "I have a case against your patent."

He then goes back, just as if that were a literature reference in the literature, and then reexamines the case to see whether or not it is valid.

In our view, this is not a question of knowing who did it. This is a question, simply, of extending the eyes and arms, if you will, of the patent examiner. If it were an adversary proceeding, I would quite agree with you. If it were truly an adversary proceeding, as some other countries have, then he ought to know who his adversaries are.

Mr. POFF. Parenthetically, may I disabuse you of any feeling that I may have formed an opinion?

Dr. HOLLOMON. I don't think so.

Mr. POFF. My questions should not be interpreted as reflecting any philosophical conviction.

When you say you are agreeing with me, you are not properly stating the proposition. I am asking you to respond only for informational purposes.

Dr. HOLLOMON. I apologize. I did not mean to imply that, Mr. Congressman.

Mr. POFF. Yes, I am sure you did not.

Now, I ask further in that context, however, if you do not think that the informant might have the opportunity to inspect the file history either before or after he has filed the patent or application, which he is to rely upon?

Mr. BRENNER. I believe I understand the question.

The way the procedure would operate, would be that after a case had been allowed by the examiner, which means he feels that it is patentable, it would be published, and then during this period of 3 to 6 months, the public would have an opportunity to send in to the Patent Office, any pertinent information or prior art.

Now, this would be an ex parte procedure in the Patent Office—these third parties would not get involved in this. This information would be reviewed by the Patent Office, and if it was felt not to be pertinent, then we would immediately grant the patent. However, if we felt that this information were pertinent and would decide that this invention was not patentable, then we would open up the case for reexamination, in which case we would advise the applicant of what was this information, and why we thought his invention was unpatentable. He would have an opportunity to reply. In effect, you would reexamine it and give the applicant a full opportunity to present his position, and if the Patent Office still refused, and he felt he had an invention, he

could appeal to our Board of Appeals; then into courts. So all of the applicant's rights would be fully protected, I believe, Mr. Congressman.

Mr. POFF. I have a series of questions, which time will not permit me to ask. I want to defer to my learned colleague from Delaware, but one final question.

I wonder if you feel that the Congress or the Commissioner of Patents would be the one who determines whether or not this experimental system of deferred examination procedure should be installed?

Mr. BRENNER. Well, Mr. Congressman, the proposal of course, is that this be part of the legislation. This would be one of the matters that the Congress would have to consider, whether this should be included or not.

In effect, they would not be approving the institution of the deferred examination procedure at this point, but rather, the possibility that it would be in the future. It would mean, by putting it on a standby basis, that if the Patent Office could not maintain a high quality, immediate type of examination system, that then, this system could be instituted for a period of time in order to relieve some of the problems that result from the backlog.

Mr. POFF. I don't want to register an attitude about the merits or demerits of the procedure, yet I call attention to the fact that what is involved here is a little more than just deferral. We are making something of a substantive decision when we decide that we will empower the executive agency to make the decision—possibly properly, we should make that decision ourselves.

Mr. BRENNER. Well, Mr. Congressman, of course, the final decision on this rests with Congress as a result of the hearings and your deliberations.

Dr. HOLLOMON. I think the Congressman is asking whether he should delegate that responsibility.

Mr. POFF. Precisely.

Dr. HOLLOMON. I think there is a safeguard in the matter.

I think that the view of the President's Commission was that you might want to try it for a while, for a very narrow section of the art, to see whether or not it works or what difficulties you get into, rather than to go whole hog for such a conversion.

Certainly, knowing some of its deliberations, some members of the Commission felt we ought to go right now to a deferred system. Others felt we should not at all. I think we ought to watch the Dutch experience, and also, that the Commissioner under appropriate safeguards, should be able to institute at least on a narrow basis, without coming back to Congress—to answer your question.

Mr. POFF. Do you anticipate that it would be impractical to watch the Dutch experiment, and then come back to the Congress and ask for a statute on the subject at that time?

Dr. HOLLOMON. You see, one of the things you like to do, Mr. Congressman, is you like to try this—if you decide to try it—on only a section of the art.

I would not recommend at this stage of the game—even if the Dutch experiment were satisfactory and we were still further behind—the wholehearted conversion to the whole system. I would want to try it for a while. I think such a trial allows the Commissioner an appro-

priate safeguard. I think the Congress can write in enough safeguards to allow him to undertake such a trial.

Mr. POFF. I thank you. I yield to the gentleman from Delaware.

Mr. KASTENMEIER. Mr Roth?

Mr. ROTH. I will limit my question to just one today.

As I understand the purpose of the patent system, it is to devote itself to the progress of useful arts. One question I have of you, Mr. Hollomon is, I was curious as to why that purpose was not included in the list of purposes of the bill on page 11 of your statement?

Dr. HOLLOMON. Yes I say this, the reason is that the whole purpose of the bill in itself, is to maintain that purpose of the patent system, and these statements on page 11 were the explicit purposes of this particular piece of legislation. The whole fact that we come forward with legislation to strengthen the system is only for the fact that we believe that the patent system does in fact, contribute to the spread of science and the development of the useful arts. That is at present, the function of the whole system itself.

This may be just a semantic difficulty. We see, as the particular objective of this bill, the statement on page 11.

Mr. ROTH. It just strikes me that it is sufficiently important that it is well worth being included, as you start out by saying, "These are the broad purposes of the bill." It seems to me this would be the most important one.

Dr. HOLLOMON. These are the broad purposes of the bill insofar as they change the present legislation. I think that would be a fair statement.

Mr. ROTH. That is all, Mr. Chairman.

Mr. KASTENMEIER. Thank you. Counsel has one last question.

Mr. FUCHS. Mr. Chairman, I would like to ask Commissioner Brenner whether he is familiar with S. 1377 introduced in the Senate by Senator Nelson?

Mr. BRENNER. Yes, sir. We are familiar with that particular bill.

Mr. FUCHS. This bill would authorize the Commissioner to establish search centers, would it not?

Mr. BRENNER. Yes, sir. That is at least one of the main purposes of that bill.

Mr. FUCHS. Do you approve of that?

Mr. BRENNER. Well, we believe that this proposal, by Senator Nelson, has considerable merit and we are presently taking certain steps to place our patented files on microfilm, which when accomplished, would make quite possible an opportunity like Senator Nelson is proposing.

We would be very happy to give serious consideration to this, and perhaps, it might be something to be considered as an addition to the proposed legislation we are talking about here today.

Mr. FUCHS. Thank you.

Mr. KASTENMEIER. The Chair would like to thank both witnesses, Dr. Hollomon and Commissioner Brenner for this testimony this morning.

The Chair would like to announce that the next committee meeting will be on April 20 at 10 o'clock in this room, room 2226. The witnesses will be Donald S. Turner, the Assistant Attorney General, and Donald F. Hornig, Director of the Office of Science and Technology. Until that time then, the committee stands adjourned.

(Whereupon, at 12:30 p.m., the committee adjourned until Thursday, April 20, 1967, at 10 a.m.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, APRIL 20, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3, OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel; and Donald G. Benn, associate counsel.

Chairman KASTENMEIER. The subcommittee will come to order for the further consideration of H.R. 5924, the patent law revision bill. The subcommittee is pleased to have as our first witness this morning the Honorable Donald F. Turner, Assistant Attorney General in Charge of the Antitrust Division, Department of Justice.

Mr. Turner, welcome to the committee. You may proceed, sir.

STATEMENT OF HON. DONALD F. TURNER, ASSISTANT ATTORNEY GENERAL IN CHARGE OF THE ANTITRUST DIVISION

Mr. TURNER. Thank you, Mr. Chairman.

I am accompanied by Mr. Richard H. Stern, my colleague from the Antitrust Division.

I appreciate the opportunity to discuss with you a bill now being considered by this committee, H.R. 5924. This bill is the first complete revision of the Patent Act since 1836. As you know, the bill is based primarily on the recommendations of a Commission of leading American citizens, appointed by the President in July 1965, to study ways "to insure that the patent system will be more effective in serving the public interest." When the President received the Commission's report last December, he directed the Commerce Department, the Justice Department, and his Science Adviser to consider it and to develop legislative proposals to carry out its objectives to the extent deemed appropriate. The patent reform bill of 1967 is the result of that review.

The bill, therefore, is the result of a committee effort. There has been agreement among us that the main thrust of the Commission's report should be incorporated in a Patent Code revision, as it is in this bill.

The Department of Justice strongly supports the objectives of the bill—(1) to improve the quality and reliability of U.S. patents; (2) to reduce the time and expense of obtaining patents; (3) to speed public disclosure of scientific and technological information; and (4) to move

toward a more harmonious body of international patent laws. We support the implementing provision.

First, to discuss the issue of first to file.

The central feature of the proposed new Patent Act is the institution of a "first to file" system. This is the first recommendation in the report of the President's Commission on the Patent System. Under the first-to-file system, when two or more persons separately apply for patents, on the same invention, the patent is granted to the person who is first to file his application. Under the present system, when there are two applicants, the first one of them to file is, with certain exceptions, granted the patent, and an interference procedure is available to determine which one is the first inventor. The party who is last to file may prevail if he succeeds in proving that he conceived the invention first and diligently sought to reduce it to practice continuously until he was successful, when such diligence was commenced at a point in time before the other party conceived the invention.

As you know, the administrative proceeding in which relative priority between applicants is determined is called an interference. The law applicable to interference proceedings has become so complex and the procedures so complicated that the elimination provided for in the bill seems desirable. The procedure lends itself to collusion and fraud, as this committee's past hearings have indicated. The social benefits to be derived from our present interference system seem so minimal that they do not warrant, in our view, the high cost of maintaining the system.

The President's Commission found, and we believe, that a first-to-file system encourages prompt disclosure of newly discovered technology, and at the same time substitutes for the delay and expense of the complicated proceedings now necessary, a fair and inexpensive means by which an inventor can establish his priority.

The Commission stated that it believed, and we believe with it, that it is as equitable to grant the patent to the first to file as to the one who wins an interference. Moreover, it is more in keeping with the constitutional purpose of the patent system—"to promote the progress of the useful arts"—to reward with the patent the person who first makes available to the public the technological innovation in question.

Now, it may be thought that the bill, if enacted, would deprive inventors of the opportunity to develop their ideas more fully or test their commercial potentialities, before making patent applications. Under existing law, an inventor has a "grace period" of a year for public use, and he may conduct experimentation under secret or confidential conditions. The new law would not affect the latter type of experimentation, but it would make the former type a bar against the inventor's securing a patent. It has been suggested that inventors should be allowed some personal "grade period" such as 3 months or 6 months. The bill adopts the administratively simpler solution of doing away with the grace period.

Another suggestion is that an inventor who claims priority over the first to file should be able to assert it as a personal defense. In other words, he would not be entitled to a patent on this basis, but would in effect obtain a "shop right" to practice the invention. These suggestions may merit consideration by the committee.

This does not mean, however, that inventors will be unable to protect themselves during the period of time in which they perfect their inventions. The bill provides for preliminary applications, which inventors may use to secure a filing date for all the features of their invention which they disclose in it; later, they can file a conventional, complete application and secure a patent, after they have completed their marketing or technological studies. It is to be hoped that the Patent Office will develop short forms for inventors to use in filing preliminary applications, so that inventors will be able to secure the benefits of an early filing date without undue inconvenience. The Patent Office has indicated to us that they believe they can develop such procedures. We believe these measures will protect the interests of small inventors, who are particularly disadvantaged by the burdens and costs of the present interference system.

I turn now to the question of prior art.

Closely related to the first-to-file system is the Commission's recommendation, again part of the first one of its recommendations, that prior art shall comprise any information known to the public, or disclosed to the public, prior to the filing date of the application. Under present law, it is possible for an applicant to avoid the impact of prior art by filing an affidavit "swearing back" of the prior art. That is, the applicant asserts that he made the invention before the publication or public use that preceded his filing. It is believed that this procedure is highly conducive to the commission of fraud on the Patent Office. The problem is very similar to that involved in the fraudulent settlement of patent interferences, which the Supreme Court recently dealt with in the *Singer Manufacturing Co.* case, an antitrust prosecution brought by the Department of Justice. Moreover, the present system involves time-consuming consideration of affidavits, requires applicants to maintain extensive records to corroborate their affidavits, and generally creates uncertainty both in the Patent Office and among patent applicants as to their position.

I turn now to the question of upgrading quality.

The second major feature of the bill is the institution of a system that will make it possible for members of the public (1) to draw prior art to the attention of the Patent Office, in order to prevent the issuance of a patent which should not be issued, or (2) to secure the revocation of an already issued patent that never should have been granted in the first place.

To the first end, section 136 permits any person to notify the Patent Office about patents or publications having a bearing on the patentability of pending, published applications. The same section permits any person to notify the Patent Office if the invention claimed in the application was actually in public use or on sale before the effective filing date of the application, or that the inventor claimed to have made the invention did not really originate it. This procedure should go a long way to assist the Patent Office in sifting out applications for patents which would not meet the constitutional standard.

Section 257 permits any person, or any Federal agency, to petition the Patent Office to institute an administrative proceeding to revoke an invalid patent—provided action is taken within 3 years from the issuance of the patent. If the Patent Office finds that the patent should not have been allowed, then the owner of the patent is given an oppor-

tunity to present his position. The patent can then be modified by the Patent Office to the extent appropriate. I strongly support this portion of the bill, which implements recommendation No. 15 of the President's Commission. Under present law, there is no way for the Patent Office administratively to cancel any part of a patent once it is issued, even where the claim appears to be clearly invalid in the light of subsequently discovered evidence or prior art. Under present law, only the courts may do this.

As the President's Commission pointed out, the result of this is that the patent owner may often continue to assert his claims because no one is willing or able to expend the resources necessary to obtain a court decision. I am sure that the members of the committee are all familiar with the Federal Trade Commission's case involving the allegedly fraudulent or improper procurement of a patent in the tetracycline field. Under the new law, if such a fraud were discovered within 3 years from the grant of the patent, the FTC or the Department of Justice could move before the Patent Office and endeavor to have the patent set aside.

This section of the bill also contains a provision to prevent vexatious harassment of a patentee. Any person who persuades the Patent Office to institute a revocation proceeding against a patentee may be compelled to pay costs to the patentee, up to $1,000, if it turns out that the claim made against the patent was unfair and improper. Thus, section 257(d) provides that "in appropriate cases" the Office may require a petitioner to pay to the patent owner the reasonable cost of defending the claim, including attorney's fees, not to exceed a total of $1,000. On the other hand, the section is so worded to prevent costs from being assessed against a bona fide, even though wrong, charge of invalidity.

Now, let's take up the question of judicial review.

Chapter 13 of the patent reform bill, sections 141 through 148, contains housekeeping changes and also implements recommendations of the President's Commission in respect to the judicial review of Patent Office decisions.

One of the principal changes here is the addition of a new section, section 148, which attaches a presumption of correctness to decisions of the Patent Office. The Court of Appeals for the District of Columbia and the C.C.P.A. (Court of Customs and Patent Appeals) have differed in their standard of review. We believe the standard in section 148 of the proposed bill is the proper one, for it contributes to one of the chief objectives of this bill—improving the quality and reliability of U.S. patents.

A closely related provision of the bill is section 137, which requires applicants for patents to bear the burden of persuading the Patent Office that a patent should issue. This is the rule followed in the Court of Appeals for the District of Columbia. The Court of Customs and Patent Appeals follows a contrary rule. It is appropriate to resolve this question, and improve the quality of patents by prescribing the proper test in the code. We believe section 137 incorporates the proper test, and, accordingly, strongly support this provision of the bill.

Another related matter is covered in section 147 of the bill. The section implements recommendations No. 14 of the President's Commission, that decisions of the Court of Customs and Patent Appeals

be made reviewable in the Court of Appeals in the District of Columbia Circuit. As the Commission points out, an applicant may presently seek review of a Patent Office decision by two alternative routes. He may appeal either to the Court of Customs and Patent Appeals on the record made before the Patent Office, or else he may bring a new action in the U.S. District Court for the District of Columbia, where he may present new evidence. The decision of the district court may be appealed to the U.S. Court of Appeals for the District of Columbia. The decision of that court, like that of the Court of Customs and Patent Appeals, may be taken further only to the Supreme Court, by petition for writ of certiorari.

When the court of appeals and the C.C.P.A. render conflicting decisions, as frequently happens, then the Patent Office must choose which of the two decisions to follow, for the sake of uniformity within the Office. Usually the Office will be under pressure to adopt the rule most favorable to the applicant, since the applicant is the one who chooses what court he will go to, in seeking review of the Patent Office's adverse decision.

Although the Supreme Court may eventually settle conflicts between the two tribunals, the heavy press of certiorari petitions involving a multitude of other important issues necessarily results in a reluctance of that Court to take up many patent issues as soon as they arise. Thus, it seems quite appropriate to eliminate conflicts by providing a place for review short of the Supreme Court.

Another major change in the bill, designed to bring about a greater degree of uniformity in law, is the provision for an estoppel in section 294. The estoppel implements recommendation No. 23 of the Presidential Commission, that a final Federal determination declaring a patent claim invalid should apply to subsequent litigation. Under present law, the patentee may relitigate the validity of his patent in every circuit in the United States. It has happened, often, that after patents are held invalid in one case, the patentee continues to sue alleged infringers in other jurisdictions. The uncertainty which this creates for business is a serious obstacle to enterprise and innovation.

Section 294 provides that in any action in a Federal court in which the issue of validity or scope of a patent is involved, the court's decision adverse to the patent becomes effective in any subsequent action, so long as procedural notice requirements were complied with which gave the patentee a fair chance to present his position.

We agree with the Presidential Commission in the view that a patentee, having been afforded the opportunity to litigate his case once, had had his day in court. He should not be allowed to harass others in other circuits on the basis of an invalid claim. By the same token, there is no reason to permit crowded court dockets to be cluttered with costly and unnecessary litigation of this type. It should be noted that section 294 makes the judgment an estoppel in any subsequent Federal action, and also an estoppel in any pending Federal proceeding where the judge—in the latter case—determines that this is appropriate. This provision was added to prevent a patentee from negating the effect of the estoppel principle by racing to file a flood of actions prior to the entry of a final judgment in a case which it appeared that the patentee would lose.

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Along the line of technical changes we have one technical change to recommend. We believe it would be important to point out that section 5(f) of the bill, which refers to the effective date of the Patent Reform Act of 1967, should be clarified in a minor particular. As it presently reads, it is said that the act does not affect any existing rights or liabilities. It should be made clear that the act does not affect any existing "substantive" rights or liabilities, although it does affect certain procedural rights or liabilities. Thus, it was the intention of the draftsmen that the estoppel provision should become effective immediately, and not have to wait for 17 or 20 years before it became fully effective. In order to make it clear that the estoppel provision, or other procedural provisions, are to be applicable to preexisting patents, it should be made explicit that the rights or liabilities referred to in subsection (f) are only "substantive" rights, and I would suggest that the word "substantive" be inserted before the word "rights."

Finally, some comment on the question of civil commissioners.

Subsection 3 of the bill seeks to create "civil commissioners" for patent cases. Th Department of Justice suggests that the committee may wish to study whether it is appropriate to single out patent cases for this type of provision. It may be preferable to deal with the matter of civil commissioners for patent cases at the same time that civil commissioners for all other types of cases is dealt with by Congress. We understand that the Judiciary Committee of the Senate will be considering legislation of general applicability to all civil cases. I believe that the Judicial Conference has also been considering this matter for some time. The committee may wish to refer the question to the Judicial Conference for its views on the subject.

To sum up our position, the Department of Justice supports this legislation. Let me refer again to the most important points.

We believe that the first-to-file system and the new definition of prior art, coupled with the new preliminary application procedure, will help to eliminate the backlog of the Patent Office, shorten the time it takes to obtain a patent, and adequately protect the interests of inventors. Moreover, the new prior art citation period and revocation proceeding should help upgrade the quality and reliability of issued patents. We believe the judicial review measures offer a practicable solution to a problem plaguing the Patent Office at this time. We strongly support, finally, the new estoppel provision, which will put an end to a troublesome and unnecessary type of litigation, that has unfairly harassed businessmen and unnecessarily burdened the courts.

Thank you, Mr. Chairman. I would be quite happy to answer questions.

Chairman KASTENMEIER. Thank you, Mr. Turner.

I note that recommendation 22 of the report of the President's Commission proposes to write into law the so-called rule of reason, for the consideration of patent antitrust problems. Is that correct?

Mr. TURNER. That is right.

Chairman KASTENMEIER. Before asking you to describe the rule of reason or evaluate the Commission formulation of it, let me ask you this: The recommendation didn't find its way into the bill, did it?

Mr. TURNER. That is correct.

Chairman KASTENMEIER. To your knowledge, was this issue discussed by the committee appointed by the President to advise him con-

cerning the Commission's report, consisting of the Attorney General, the Secretary of Commerce and the Science Advisers?

Mr. TURNER. I think I can say it was discussed and I speak for no one else, but the Department of Justice was strongly opposed to this recommendation.

Chairman KASTENMEIER. Can you tell us why the Justice Department was opposed?

Mr. TURNER. Yes, I believe I can. Recommendation 22 we found objectionable in two respects. First, it explicitly gives an apparently, unqualified right to patentees to impose field of use limitations in patent licenses to others.

Secondly, it suggests as a general rule of approach to the validity of patent licensing and related restrictions that the patent owner shall not be deemed guilty of misuse (I must say that also means he would not be guilty of antitrust violation) merely because he agreed to a contractual provision (a) which has a direct relation to disclosure of the claims—that is not important—but also (b)) the performance of which is reasonable under the circumstances to secure to the patent owner the full benefit of his invention and patent grant. The latter is the language that we find quite objectionable.

The language parallels almost precisely the language that appeared in Chief Justice Taft's opinion in the *General Electric* case back in 1926, which upheld the validity of a price-fixing restriction on a licensee in a patent license. The Department of Justice has been endeavoring almost ever since to persuade the Supreme Court to overrule that decision, and a year ago, on an appeal of a case in which we endeavored to get that decision overruled, an adverse opinion below was upheld by a 4–4 vote. We like to think that if it had not been for procedural problems; namely, a claim we had waived this issue below, we would have succeeded in persuading the Court the old *G.E.* rule should be overruled and price-fixing clauses should be outlawed.

Beyond that, this language really doesn't provide any answers at all. Almost any restriction in a patent license presumably is put in there because the patentee believes it will enhance his pecuniary reward. Yet, there have been many restrictions that patentees have attempted to put into their licenses which the courts have outlawed though they might be deemed reasonable under the circumstances to securing the full benefits of the patent.

Tying arrangements have been outlawed for over 50 years. You cannot put any restrictions on the resale of a patented product once it passes into the hands of a purchaser. You cannot put on a resale price restriction; you cannot put territorial limitation on the dealer's area of sale. In short, there are provisions which the patentees have attempted to employ which the courts have felt were so unwarranted, so restrictive of competition, they could not be upheld.

And so, as I say, even if this language is at best very unclear and really does not advance the law anywhere, at worst in our point of view, it would make it very difficult for us to secure new decisions from the Supreme Court which we believe to be appropriate.

One is the validity of price fixing which we think should be knocked down. We also believe, for example, that a patentee should be precluded from requiring of his licensee that the licensee grant back by assignment to the patentee any improvement patents he develops or that he be

required to grant back an exclusive license under any improvement patent he develops. I wouldn't go into the reasons for our position on that. But the short of it is that this proposal (Recommendation 22) drives into the heart of some very important antitrust issues and we believe would be very unfavorable to us.

Chairman KASTENMEIER. Mr. Turner, without going into the substantive merits of the debate with respect to this rule of reason, is it not a fair inference that the adherence of at least some members of the President's Commission to the report was achieved through the inclusion of Recommendation 22?

Mr. TURNER. By that I take it you mean, Mr. Chairman, that some members of the Commission might have felt that if this provision were not included, on balance the recommendations were so unfavorable to patentees they would not go along.

Chairman KASTENMEIER. Yes.

Mr. TURNER. That may well be, sir. I have not talked with individual members of the Commission.

Chairman KASTENMEIER. If that is the case would you not agree that its exclusion dilutes the authority of the report?

Mr. TURNER. This may well be. But I would be surprised in view of the importance of the issues raised by the quite major changes the Commission proposed, that there would be people who would independently be opposed to those provisions and yet signed the report as a whole on the basis of the inclusion of proposed Recommendation 22. I would find that very surprising, because the change from an interference proceeding to a first-to-file is obviously a major change. I would find it very surprising that somebody really was against that but nevertheless signed the report because of the inclusion of this recommendation, which, as I indicated, I don't think really guarantees the patentees very much.

The proposed rule of reason really says very little or nothing. It leaves the court relatively free, free within some limits, to make their own determination. There just isn't that much added by it.

Let me add, I did not get around to discussing the field of use restriction, but let me make it clear that it is not our position that the field of use restriction should be struck down without more. We do have the feeling that probably some restrictions should be imposed on the circumstances in which they can be used, and we are very afraid that a blanket approval of field of use restriction, which was proposed here, would go much too far. For example, there is a recent, very scholarly article in the Yale Law Journal on a good many of these patent licensees issues in which the author suggests that a rule ought to be adopted that the patentee can protect his own manufacturing operations by preventing any licensee from competing with him, but that he cannot parcel out the rest of the field. That is, if he does make a field of use restriction, if he says to one licensee, "You can use the patent for this application," he must stand ready to give any qualified applicant the same license, too.

Again, I just offer this as a suggestion that has been made after very careful study. We are strongly opposed to proposal 22 because it would deprive us of the opportunity to secure limitations of that kind.

Chairman KASTENMEIER. Mr. Turner, on page 7 of your statement you refer to section 136 and section 257. So that we might have a little better understanding of what the purpose of those sections are, do you envision that only parties in interest will avail themselves of section 136, or do you consider that there may be a sort of public interest watchdog which is going to check into the patentability of pending, published applications?

Section 136 refers to any person to do the notifying and section 257 refers to any person or Federal agency. I wonder whether it is intended that any agency in the Federal Government other than the Patent Office will be looking at these patents in terms of the public interest for any particular reason?

Mr. TURNER. I think you have raised two questions, one whether any person really means any person or whether it is likely in practice to be people with an interest. I would suppose in practice, unless there are some people around with eleemosynary motives who want to spend their money for no purpose, that the person who would notify the Patent Office he believed he had prior art or publication which rendered the patent invalid would be somebody who stands to benefit thereby—a competitor, say, of the patentee, who is faced possibly with infringement suit. I would suppose as a practical matter only people with some interest of that kind would endeavor to get the patent upset.

Second, with regard to the Government, I haven't really thought far enough ahead to see what the consequences of this would be. I would doubt very much that we would make any systematic effort, or that any other Government agency would make any systematic effort, to keep constantly canvassing patents and prior art for the purpose of raising the question of invalidity and of asking for revocation.

I think far more likely we would occasionally in the course of an investigation of ours run into a situation where the patents involved were of dubious validity.

Of course, somebody would ordinarily call this to our attention, and where we felt revocation of patent would serve useful purpose, we would then raise it. I would guess this would be derivative and sort of accidental, a byproduct of our ordinary investigations rather than anything systematic.

Chairman KASTENMEIER. I note that Section 136(c) provides that the identity of the person making the citation shall be kept in confidence by the Patent Office, so that we would not really know who these people are. Why is this considered essential?

Mr. TURNER. I would suppose that the purpose of this is to protect persons who may stand to lose if the patentee found out who they were, either existing licensees with a terminable license, or people who if the patent is upheld, despite what they put in, would want to take a license thereafter. If I were, say, a person competing with the holder of a patent and I had some doubts about his patent and I believed I had some prior art that if called to the attention of the Patent Office would lead them to revoke it, I would face a bit of a dilemma, because if I put it in and my name is publicly known and I lose—if it turns out that I was mistaken—I will not have inspired any great feeling of friendship on the part of the patentee, and I might thereafter not be able to get a license and this may be critical. I would suppose that is what the reason is.

Chairman KASTENMEIER. One last question: I know that it is hard to make an assessment, but I assume you would anticipate that patent litigation would be sizably reduced by enactment of this bill?

Mr. TURNER. That would certainly be our anticipation.

Chairman KASTENMEIER. And that with the addition of civil commissioners as well, the number of cases in court would be even more sizably reduced? What would be the role of the civil commissioners?

Mr. TURNER. Elimination of interference proceedings would substantially reduce the load on the Patent Office, which is sort of semi-litigation. It isn't really litigation because it isn't formal; but to the extent that the bill leads to stronger patents, and we would anticipate that it would, that should lead to a reduction in infringement suits. The stronger the patents are, the less likely it is that anybody is going to infringe. More likely they will either not produce or will endeavor to secure a license. The stronger the patents, the less litigation there should be.

What the provision for civil commissioners would do would lighten the burden on both the court and the litigants in such litigation as actually took place. It would as in other complex cases speed the proceedings along.

Chairman KASTENMEIER. If you were to hazard a guess, would the bill reduce court litigation by half, would you say, or more, or less?

Mr. TURNER. That would be very hard for me to guess, Mr. Chairman.

Chairman KASTENMEIER. You say that patents would be strengthened. However, section 257 provides proceedings to revoke patents which would be invalid. Would this in a sense weaken the patent if you had a patent which might be revoked?

Mr. TURNER. Well, this simply is a procedure whereby if a patent has unfortunately been issued, you can thereafter in an administrative proceeding get it knocked out. No system will lead to perfect solutions. No system will produce patents which are absolutely invulnerable, and the fact that the uncovering of evidence of prior art, say, which was not available to the Patent Office when the question of patentability came up, throws doubts on the patent simply means that the patent is already weak, despite what you have endeavored to do to strengthen patents by the provisions of this bill.

The only question then is what is the best way of getting rid of it, or at least testing its validity, and what this really amounts to is something that might be called a declaratory judgment action.

Mr. POFF. Will the gentleman yield?

Chairman KASTENMEIER. Yes.

Mr. POFF. What you are saying is that the revocation procedure itself will have the effect of increasing the validity of surviving patents.

Mr. TURNER. That is correct, sir.

Chairman KASTENMEIER. I think that is undoubtedly true.

Mr. TURNER. That is correct.

Chairman KASTENMEIER. I was just questioning whether the proposed procedure, being relatively a simple one, would not subject all patents or certain patents to a sort of easy attack.

Mr. TURNER. That is a problem that the President's Commission recognized in putting in the provisions for assessment of costs, in an effort to minimize that, to guard against captious and frivolous con-

tentions from people who are just in to harass a patentee. This would not guarantee against that, I suppose. You never can guarantee against anything, but it should minimize it.

Chairman KASTENMEIER. The gentleman from California.

Mr. EDWARDS. Mr. Turner, do you feel that this new law, if enacted, will make it easier for your Division to fulfill its obligations under the antitrust acts?

Mr. TURNER. The connection is a rather complicated one, sir. I would say, yes. I would say that our problems are multiplied by having a large number of weak patents around, and any system which strengthens patents and eliminates weak patents will reduce the number of situations in which people have unwarranted power to restrict competition. The difficulty is, of course, that an awful lot of weak patents survive to the end of their days because people feel they cannot afford to go through a court fight to attack them, and as a result they do not compete when if there were any possibility of or if it were financially possible for them to sue and get the patents knocked out they would.

I think what I am really saying is that a strengthening of patents, a strengthening of the patent system, will materially reduce unwarranted interference with competition in the American economy, and it doesn't, per se, reduce our job but it certainly makes a material contribution to the goals that we endeavor to strive for.

Mr. EDWARDS. Do you feel that the new act would increase the power of large industrial or commercial institutions in any way so that they would have more control over patents as opposed to the claims of individuals in smaller businesses?

Mr. TURNER. I don't see how it would have this effect. I would guess myself that if anything, the bill would have the opposite effect because most patents are held by companies rather than individuals and one of the problems for small competitors of large companies is they face an aggregation of patents, 100 or 200, so that here too, it seems to me, to go back to the answer I gave to your previous question, any change in the patent system which would cut down the portfolio of patentholders by eliminating weak patents should, or at least there seems to be no reason why it wouldn't, improve the position of the individuals or the smaller companies. I couldn't predict that. I just don't know, but I would see no reason to suppose that the bill would operate to the advantage of large companies.

Mr. EDWARDS. Thank you, Mr. Turner.

Mr. Chairman, that is all.

Chairman KASTENMEIER. The gentleman from Virginia.

Mr. POFF. Thank you, Mr. Chairman.

First of all, I am afraid the record may be a little unclear about your precise position with reference to recommendation No. XXII.

Do I understand correctly that the Justice Department would feel obliged to oppose the bill if such a recommendation were a part of the bill?

Mr. TURNER. That would certainly be my personal view, Mr. Poff, and, of course, this is an alternative we would hope not to have to face. My personal view would be that any bill that contained that provision would be a very unfortunate bill.

Mr. POFF. May I ask you to look at section 271 of the bill, subparagraph (b), which reads in part as follows:

Whoever * * * imports * * * a product made in another country by a process patented in the United States shall be liable as an infringer provided patent protection for the process is not available in such country.

Now, under the present law such an act as described here would not constitute an infringement and the patentee's recourse would be under the Tariff Act to show probable irreparable damage. Now, the Commission recommended all of that part of section (b) except the proviso. Now, can you tell the subcommittee how the proviso found its way into the language?

Mr. TURNER. I don't believe I could recount in any detail the discussions that transpired. The Department of Justice was opposed to the broader provision which had been recommended by the President's Commission, a provision which, I think, raises practical difficulties of some importance.

I would say that the two main questions we raised were these: (1) Has any need been shown which would make the proposal something of considerable importance? We were not aware that any extensive need had been shown, and the President's Commission report simply has the conclusory statement that there was.

(2) A provision of this kind certainly in the blanket form in which it was proposed by the President's Commission would impose some very serious practical problems for importers of goods. If I am an importer of a good, a product, and somebody comes to me and says this product infringes a product patent held by him, a U.S. product patent held by him, my job of determining or having it determined for me whether that is true, whereas it may be difficult, is relatively easy. You have the two products. You can get a patent lawyer, and he can look at the prior art. He can attempt to establish how good the patent is and you can compare the two products. There they are. Now, if I am an importer and somebody comes to me and says, "You are infringing not because the product is an infringing product, but it was made by a process which infringes my U.S. process patent," the only way I can determine or my lawyer can determine whether that is so is to make an investigation abroad in the country of origin and try to endeavor to find out whether the product that I have imported was in fact produced by an infringing process. That can be a very costly operation.

So, the short of it is that I think any provision of this kind will cause at least some importers, unless they are indemnified by the foreign manufacturer, simply to abandon the importation rather than undergo the expense of trying to determine whether there is infringement or not.

Now, the provision as now proposed in the bill is limited to the situation where the U.S. patentee cannot obtain a process patent in the country of origin, and I think a pretty fair equitable case can be made for that. If the patentee, the holder of an American process patent, is unable to protect himself by getting a foreign patent, then the only way he could protect himself is by blocking the importation of the goods. That is the argument in favor of the more limited provision that is in the proposed bill.

Mr. POFF. During your testimony, Mr. Turner, you referred to suggestions that have apparently been made collaterally, two precisely. One, that inventors should be allowed some personal grace period such as 3 months or 6 months, and second, that as a right

of personal defense a person who claimed a priority in the invention would enjoy a so-called shop right, and then with reference to those collateral suggestions you said that they might merit consideration by the committee.

Do you care to be more definitive than that? Do you incline to favor them or to oppose them?

Mr. TURNER. I think our position would be to support what the bill has done, which would not permit either one of these rights. We suggested that they merited consideration because we think they are not issues in which it is overpoweringly clear one way or the other. The advantages of the bill as drafted, which does not allow a grace period and would not give the shop right, is that it is certainly simple. You eliminate issues which can raise rather complex factual questions. That is the advantage of the proposed bill as it stands. I will say that a personal grace period as opposed to a grace period that is available to anyone is certainly much less of a serious problem. You will notice we have indicated that is the only suggestion we think merits consideration. A general grace period we would be strongly opposed to.

Mr. POFF. Now, you addressed yourself to section 757 which deals with a new concept—which for the purposes of shorthand can be called the civil commissioners concept—and that was drawn from recommendations XXV of the President's Commission. I notice, however, that section 757 of the bill does not include all of the recommendations of the Commission.

Do you have an attitude about the proposal for stipulations and affidavits?

Mr. TURNER. What was the number of the President's Commission recommendation?

Mr. POFF. XXIV on page 39.

Mr. TURNER. Proposal XXV.

Mr. POFF. I was about to say XXIV is the basis for section 757 of the bill and XXV bears directly upon the question I asked.

Mr. TURNER. That is right.

As I read the recommendation, a party to a patent case seeking reduced litigation cost may seek consent to submit the case on affidavits. This procedure may be used where no injunctive relief is sought, only limited damages. They then suggest that incentives be provided to encourage consent to this procedure, one being that if you do not consent—let's say you do not get costs or you may be assessed with costs?

Mr. POFF. An incentive to the infringer to consent would be that any subsequent judgment favoring the patent owner would omit injunctive relief.

Mr. TURNER. I think the problem here is there may be small parties involved in the litigation, who would have very good reasons for not wanting to submit to the affidavit procedures, but would be under financial pressure to do so because of the price they might pay if they refused and eventually lost.

Now, I can't pull off of the top of my head the precise kinds of circumstances in which this may be true. I think we were, as I recall, and as I say I don't remember the discussion very well, there was some concern expressed in the Department that this might give an

unfair advantage to parties who in certain situations were much more wealthy than their opponents and would find advantage in the shortened down procedure and would try to force the opponents into this even though they didn't want to agree to it. That is about—well, I can think of one disadvantage. Suppose the plaintiff is the patentee suing for infringement. The defendant is the alleged infringer; submission on affidavits would deprive the defendant of the opportunity to cross-examine the plaintiff's expert witnesses on issues of patentability.

Mr. POFF. If he was so concerned about that could he not simply fail to give his consent to the procedure?

Mr. TURNER. He may, but then he pays a penalty later on. You see he takes his chances. He suffers a disadvantage in the end if he should lose.

Mr. POFF. Section 171 deals with designs. The Commission recommendation No. IV was that the present authorization for design patents be omitted from the new law.

What is your opinion on that difference between the bill and the proposed recommendation?

Mr. TURNER. It was concluded generally that we felt this recommendation needed further study. I speak in some ignorance as to what the Department's position has been in the past on this. I am not sure that an occasion ever arose for it to be asked. I can personally say that I have always felt that this provision has created a good many problems. It actually hasn't been very useful to patentees. Very few designs patents have been upheld because the courts have insisted on the same aspects of invention on design as they have on other products generally. But the conclusion among the people considering the recommendations and coming up with a bill was that the matter needed further study.

Mr. POFF. May I ask you a general question?

Mr. TURNER. Yes, sir.

Mr. POFF. What do you think the total impact of the bill will be with respect to the practice of defensive patenting? Is it likely to promote that practice or to retard it?

Mr. TURNER. I find that a very hard question to answer. To the extent that the bill would strengthen the patents, and to the extent that defensive patenting involves patents of somewhat clearer validity than others, I suppose it would cut it down somewhat, but it is a rather speculative issue.

Mr. POFF. If the deferred examination procedure were later installed what effect would that have——

Mr. TURNER. I beg your pardon?

Mr. POFF. If the deferred examination procedure were later installed, what effect would that have upon the question I just proposed?

Mr. TURNER. Let me back up for just a minute. It has occurred to me that since the bill provides for a preliminary application, which then becomes prior art, and since any publication or public use becomes prior art, the need for getting a defensive patent declines because the patent could not be issued to anybody else. (My colleague just wanted me to amend my answer to say that the preliminary application will not be published if you do not subsequently ask for a patent, by filing a complete application, or ask that the preliminary application be published.) You would have to have publication of the preliminary application

but that would then serve as prior art. You would not have to go forward and get the patent.

Mr. POFF. Do you think the use of a deferred examination procedure would have any effect on the practice of defensive patenting?

Mr. TURNER. Let me let Mr. Stern answer that question.

Mr. POFF. Perfectly all right.

If either or both witnesses care to answer any question——

Mr. STERN. Thank you very much, Mr. Poff.

It seems to me that one answer to your question might be that a patentee, or rather an applicant in this position, might want to avail himself of the deferred examination procedure in order to see whether he would like to get a patent for defensive purposes, or else whether he would like to just let the application be abandoned and published. The deferred examination procedure, if the Commissioner were permitted by Congress to institute it on an experimental basis, might serve as a tool for cutting down on the number of defensive patents, by giving the applicant the opportunity to decide whether, after he has deferred the examination—whether he would just prefer to forget about the whole thing and let the application be published, instead of going ahead and prosecuting it in order to protect himself. It may be that the deferred examination procedure thus might cut down to some extent on defensive patenting by giving the applicant an alternative to seeking a defensive patent.

It may be that this alternative is adequately satisfied by publication of the preliminary application, but the deferred examination procedure would give the patentee a longer chance to make up his mind whether to have the application go abandoned and be published or to hang onto it a little to see about its commercial utility.

You can see there are both pluses and minuses to giving the patent applicant longer time to make up his mind.

Mr. POFF. What you are saying suggests the availability of the 5-year period by prompt filing of a preliminary application on a patent that might otherwise in the absence of such a system be considered useless?

Mr. STERN. No, sir. That may be the case, but what I was suggesting was that the decision to abandon a preliminary application could be put off by the existence of the deferred examination system.

Mr. POFF. I understood that part of your answer, too. I don't dispute the validity of what you say. I think it has some validity. I guess it is a question of balancing the argument there. One more general question and I am through.

If the deferred exam procedure should be installed administratively, what general effect would that have upon increasing validity of patents generally?

Mr. TURNER. I think you have both of us on that, Mr. Poff. We don't know the answer to it.

Mr. POFF. Neither do I. I thank both witnesses and I yield to my colleague.

Chairman KASTENMEIER. The gentleman from Michigan, Mr. Hutchinson.

Mr. HUTCHINSON. Mr. Turner, on page 9 of your statement you discuss judicial review, and you mention section 148 which attached a presumption of correctness to decisions of the Patent Office. Is this presumption of correctness, is this generally the practice throughout

the Government? Is there any other administrative agency which enjoys a presumption of correctness?

Mr. TURNER. I don't know anything that is analogous to the application for a patent. There is, of course, a presumption of correctness to the decision of an administrative agency when its decision is appealed to a court of appeals and review is sought there. I don't think, though, that is an analogous situation. It isn't wholly analogous because in an administrative agency decision subject to review of that kind, normally you have had full public proceedings. You have had adversary proceedings, with full opportunity to develop a record. In an application for a patent, you don't have that kind of a record built up. But it seems to me that the presumption of validity attaching to the adverse decision of the Patent Office makes an awful lot of sense, because by and large the dice, so to speak, are loaded in favor of the applicant. He comes in and he makes his own presentation. There is not, unless somebody attempts to intervene, an adversary seeking to dispute him. The only sort of affirmative argumentative efforts that are made are by the applicant, for the patent.

So that if, in the face of all that, the Patent Office decides, in light of their review of the prior art and the nature of the claims and what advance this is, if any, over what has gone before, they don't think it is patentable, it seems to me quite reasonable to say that that decision should have a presumption of validity.

Mr. HUTCHINSON. How strong is that presumption? Is it simply a prima facie presumption?

Mr. TURNER. That is a question that lawyers go around in circles on.

Mr. HUTCHISON. It is something less than conclusive, isn't it?

Mr. TURNER. Oh, yes. I think, sir, the way it works out in practice really depends on the nature of the contrary material that is presented.

Lawyers say you can have varying kinds of presumptions. You can have a presumption which does no more than put a burden on the opposing party to bring forward some evidence, and once they have brought forward some evidence, then the presumption disappears.

That perhaps is the word—the phrase "prima facie" perhaps means something like that. You have also found in law in some areas presumptions that carry more weight in that the burden of proof really shifts to the other side, and in cases of doubt, the presumption will hold.

I am not familiar enough myself with infringement litigation, where again you have a presumption—if a patent is granted it is presumed to be valid in any court action in which infringement is charged.

I am not familiar enough with the way those cases go to know just how the presumption works, but the least it means is that the other side has to come forward with some evidence which tends to controvert it. It probably means something more than that.

Mr. HUTCHINSON. What you are suggesting then, sir, if I understand you, is that the situation with regards to patents presents rather a unique situation in Government, and that while there might not be anything analogous anywhere along the line, this feature of uniqueness may justify it here?

Mr. TURNER. In terms of the kind of proceedings, and, furthermore, it seems to me that at least on the surface, it would be inconsistent to have an affirmative decision by the Patent Office; namely, that a patent

should issue, given presumptive validity against an alleged infringer, but a negative decision would have no presumptive validity. That doesn't make sense to me.

You might want to consider eliminating the presumption of validity, but I think that would cause a good deal of discussion if you propose it.

Mr. HUTCHINSON. To get on to another question, on page 6 of your statement you speak about a swearing back affidavit, which, I understand, is the present practice. You say that the procedure is highly conducive to the commission of fraud on the Patent Office.

What has actually been the experience? Has there been a great number of cases of fraud on the Patent Office?

Mr. TURNER. All I can say is there has been some litigation. One can suppose trouble when the law is such that if there is prior art you can beat it only by claiming that you invented before that.

It makes it attractive for people to endeavor to build the record that that is so. I frankly have no statistics to give you or any impression as to how common this is. A lot of it, of course, probably is taking place and has never been found out. Many patents just are never challenged.

Mr. HUTCHINSON. One last question: Is it envisioned that there will be a number of civil engineers attached to the U.S. district courts to handle patent cases there?

My question is how will these officials differ from judges themselves—only in the tenure of their term, or something different?

Mr. TURNER. It would be something comparable, Mr. Hutchinson, to the masters which we have had for a long time in Federal courts.

Mr. HUTCHINSON. They simply hear the evidence, and so forth?

Mr. TURNER. Here they would supervise discovery proceedings. Actually, they could not go as far as masters can go. A Federal district judge can designate a master to actually take evidence and conduct a trial.

It is not contemplated that the Commissioner would be able to go that far, but discovery and related pretrial matters are quite time consuming, and there is no doubt that this would take some burden off the judges.

Mr. HUTCHISON. Then I have just one further question, Mr. Turner. Why is it necessary to have two routes of appeal? If we were seeking a simplification of a system, why do we permit anybody to take his choice, to go up through the Court of Customs and Patent Appeals, or to go to the district court?

Mr. TURNER. Well, the procedures are different under the current system and would be, I guess, under the new bill. That is, if you go up to the CCPA, you go up on the record that was made before the Patent Office.

If you go into a district court, there is a trial, and you are free to put in evidence that you are not free to put in before the Patent Office.

I would suppose that there is some advantage in having both routes. Going up to the CCPA is a simpler, less time-consuming proposition. An avenue of that kind—I think it is appropriate to have an avenue of that kind. At the same time there ought to be a way that somebody can also get a de novo review and that he can do in the district court.

In short, the two ways of review have their own peculiar advantages,

and so long as they do, and so long as both are performing useful functions, it seems to me that it would be desirable——

Mr. POFF (interposing). Will the gentleman yield?

Mr. HUTCHINSON. Yes.

Mr. POFF. Another point under the present practice is that there is no right of appeal from the CCPA to the court of appeals. The bill would provide such a right, as I understand it.

Mr. TURNER. Right.

Mr. POFF. This would have the effect, I assume, of making certain what is now uncertain when there is a diversity of opinion between the district court and the CCPA.

Mr. TURNER. Yes. The bill would enable the reconciliation of different points of view at a level short of the Supreme Court.

Mr. HUTCHINSON. Do you, Mr. Turner, know, or perhaps you are not the proper witness to ask this question of, whether most of the litigation goes up through the Court of Customs and Patent Appeals, or does it go up through the district court?

Mr. TURNER. I don't know the answer to that, Mr. Hutchinson. The Patent Office, I would guess, would have the answer.

Mr. HUTCHINSON. That is all. Thank you.

Chairman KASTENMEIER. The gentleman from Delaware, Mr. Roth.

Mr. ROTH. I have a question with respect to the preliminary application.

As I understand, the thrust of the first to file would be, of course, to encourage an inventor to file as promptly as possible.

The question I have: Is there any danger that inventors or would-be inventors would tend to file before they actually had conceived the invention?

Mr. TURNER. I don't see how that could happen, Mr. Roth. You have to, in any application, describe what it is that you claim to have invented, and if what you have done is indeed incomplete or defective, I don't know how you could claim it.

Mr. ROTH. Let me ask you this: At the earlier stage, they do not have to file, of course, a complete report.

Mr. TURNER. Yes, but I think that the ultimate application could not go much beyond the preliminary—that is to say that the preliminary more or less indicates what it is they claim to have invented, and anything that went substantially beyond that, or was substantially different, would not be treated, I don't think, as a "complete application" relating to a "preliminary."

Of course, I think this, the opportunity to file a preliminary application may permit an inventor who has conceived his idea to file before he has reduced it completely to practice. That may be true.

Mr. ROTH. Let me ask you this question, if I may: What about the other inventor who has conceived of the same idea?

Would he be able to challenge the preliminary filing on the basis that it was inadequate?

Mr. TURNER. Yes, if it is inadequate. If the preliminary application states something which is not patentable because it is incomplete or something like that, the person who has the good idea is going to win.

Presumably, what he will do is he will file, and he will simply claim that the preliminary application by the other party stated no claim on which a patent could be granted.

Mr. ROTH. I assume he could challenge it on the grounds he had not proceeded to the point where an invention actually had been conceived.

Mr. TURNER. Yes; I suppose he could.

Mr. ROTH. The reason I raise this question—could you still end up under this system with the same problems of interference litigation still challenging the competitors as to whether or not at the time of the preliminary application an invention actually had been conceived?

Mr. TURNER. It is conceivable you could have some of this, Mr. Roth, but it seems to me the volume of that kind of litigation would be enormously reduced.

As the thing stands now, you get interference proceedings whenever two people claim they invented something first.

That would not any longer be possible, and the only "interference"—and I am now using it in a lay sense of the word—that could arise is the one you described, where somebody would be claiming that the preliminary application simply did not disclose the invention or did not indicate it.

Mr. ROTH. Does this aspect of the bill cover the European practice or other countries who have the first-to-file system?

Mr. TURNER. I am afraid I can't answer that question.

Mr. ROTH. Would the gentleman with you know?

Mr. STERN. The European countries have the first-to-file system, Mr. Roth. Whether they have a preliminary application procedure substantially identical to the one disclosed here, I am not in a position to answer. I think the question should be referred to the gentlemen from the Patent Office.

Mr. ROTH. I have one further question. Going back to the question that was raised earlier about the right to revoke, do you see any danger of either the governmental agencies or other individuals waiting or taking a wait-and-see attitude rather than actively bringing up any information during the application period?

In other words, would we be in for a longer period of uncertainty as a result of this revocation period, or why shouldn't the people who have information to go to the heart of a patent raise this before the patent is issued?

Why shouldn't the law, the thrust of the law, be in that direction?

Mr. TURNER. Let me try to answer it in this way, Congressman. I am not sure it does answer your question very satisfactorily.

There is an independent value in the revocation right because it does mean that if within 3 years new information comes to light—or people who would have opposed it if they had had the information when the patent was in process would then have put it in, but they just got it—it gives them 3 years within which to attack.

If you take away the revocation procedure, this means you reach the result that you now have that the only way to upset patents is to go to court.

It may well be that making available the revocation procedure would also make it possible for someone who has the information at the early stage to sit on it.

I question whether that would be enough of a problem to overcome the clear advantages of putting in a revocation procedure. I would like to know why they would do it.

I don't know what they would have in mind. It is conceivable to me that somebody may say, "Well, I don't think this patent is going to be of any great significance, even if it is issued, so I am not going to bother to come in now, but I will wait and see, and if it does turn out to be important, I will come in."

That strikes me as rather highly unlikely, because it doesn't really cost very much to put in the information that you have.

Mr. ROTH. How long would the period between the preliminary application and the issuance of the patent ordinarily take? Or anticipated?

Mr. TURNER. It depends on what the load at the Patent Office is. You have to file a complete application within a year, and then the processing depends on how fast the Patent Office can process it.

Mr. ROTH. What would the average be in that period?

Mr. TURNER. Around 2½ to 3 years now. I guess that is what lies behind the suggestion that the patent be valid 20 years after the date of the preliminary application.

Mr. ROTH. So there would be a period roughly of 6 years where the patent administratively could be attacked?

Mr. TURNER. That is right. Revocations 3 years after issuance, and if the current backlog would continue, 3 more years. There would be hopes the backlog would decline, but there is countervailing pressure—the volume of applications is going up all the time.

Mr. ROTH. Thank you.

Chairman KASTENMEIER. The gentleman from Virginia has another question, I believe.

Mr. POFF. Mr. Turner, possibly, you will not be able to respond to this. I should have asked this question Monday, but it didn't occur to me until I read the bill again last night.

A public disclosure, for any reason, filing a preliminary application, or otherwise, would constitute prior art, but, under section 105, if that disclosure was unauthorized, then it would not constitute prior art, with reference to an actual inventor.

I wonder if it ought not to constitute prior art with respect to people other than the actual inventor? If you are to be consistent in carrying out the plan of the first to file, that is.

Mr. TURNER. It does constitute prior art under the bill. Even an unauthorized disclosure would constitute prior art against anybody except the inventor.

Mr. POFF. Can you explain to me the language that does that? I know that was the intent. I know that was the Commission's recommendation. I don't find it in the language.

On the contrary, it seems to me the language would have the converse effect.

Mr. TURNER. I think the phrase in subparagraph 1, the subject matter was derived from the inventor named in such application, would so limit it.

In other words, if a third party came in, someone other than the party who had filed the application——

Mr. POFF. The preliminary application?

Mr. TURNER (continuing). He could not invoke this, I don't think. If there is any doubt, it certainly ought to be cleared up.

Mr. POFF. Well, everyone can read language and understand it dif-

ferently. Perhaps I have not thoroughly analyzed the language, but it seems to me it would just not do what the Commission recommended.

Mr. TURNER. If there is any doubt, as I say, Congressman, I think we ought to take another look at it, and we will. The intent certainly is that the unauthorized disclosure provision could be invoked——

Mr. POFF. As prior art against outside parties.

Mr. TURNER (continuing). Only by the person from whom it was derived.

Chairman KASTENMEIER. Do you have any further comment?

Mr. TURNER. No.

Chairman KASTENMEIER. If not, the Chair would like to say we appreciate your appearance here this morning, Mr. Turner. You have dealt with a wide range of patent problems, apart from merely those with which the Department of Justice is concerned. Your grasp of the patent law is extraordinary, and your appearance has been most commendable.

Thank you very much.

Mr. TURNER. Thank you, Mr. Chairman.

Chairman KASTENMEIER. The next witness is the Director of the Office of Science and Technology, Dr. Donald F. Hornig.

Dr. Hornig, you are welcome before this committee. We will be pleased to hear from you in connection with this bill.

STATEMENT OF HON. DONALD F. HORNIG, DIRECTOR, OFFICE OF SCIENCE AND TECHNOLOGY

Mr. HORNIG. Thank you, Mr. Chairman.

I have with me this morning Mr. David Z. Beckler, my colleague.

I thank you for the opportunity to testify on H.R. 5924, the Patent Reform Act of 1967.

Monday you heard the testimony of Dr. Herbert J. Hollomon, Acting Under Secretary of Commerce, and Patent Commissioner Edward J. Brenner.

They have given you the background of the report of the President's Patent Commission, the principal new features of the proposed legislation, and their basis and implications.

I will, therefore, concentrate in my testimony on the main features of this bill as they relate to innovation and discovery in the United States. These ingredients are major contributors to our national economic growth.

The proposed bill would be the first major revision of the U.S. patent system in its more than 100-year history. The fact that it has gone so long without major change should not in itself be taken as a sign of weakness.

In fact, the patent system has served the Nation well. Its basic objective, to promote the progress of the arts, remains as important today as it was in the days of the Founding Fathers.

Although the importance of the patent incentive in achieving this end cannot be quantitatively documented, there are many industries, such as the chemical industry, where the patent system undeniably plays a major role in encouraging investment in research and development, in promoting the marketing of inventions, and in discouraging trade secrecy.

Invention today has been characterized as an industry which produces innovations on order in response to various industrial and social needs.

This is contrasted with the predominant role of the lone inventor in earlier days of the patent system—the Edisons, Whitneys, and Fultons.

Inventions are now much more often the result of systematic research and development by research teams in large organizations rather than the empirical approach of the independent inventor.

In addition to encouraging inventors, the exclusivity of patent protection has become an important factor in stimulating the investment of the large sums required for research and development in many of the most important new industries, and the even larger investments needed in the engineering, manufacturing, and marketing of the invention.

Although there have been shifts in the sources and motivation of inventions, the importance of the patent incentive in promoting progress in the useful arts and in realizing the public benefits from such progress remain as great as ever.

Furthermore, the character of the present U.S. patent system has been molded over the years by changes in patent practice and by a variety of legal decisions which together give it stability and predictability.

I say this by way of preface to the observation that we should undertake to modify this system only after careful reflection and a strong showing of need.

I firmly believe that both of these conditions have been met in the proposals set forth in H.R. 5924. First, the proposals are the result of a thorough 15-month study by a Presidential Commission which included a highly qualified group of lawyers, industrialists, scientists, and educators.

Second, there is need for certain reforms that build on and reinforce the demonstrated strengths of the patent system, but correct certain weaknesses that have become aggravated with time and changing conditions.

Perhaps even more important, there is need for reforms at the present time that will place the patent system in a position to function effectively in the years ahead.

The technological-industrial environment is changing, and the patent system must accommodate these changes, or it will become an anachronism as time and technological progress overtake it.

For we are in a period of rapid change—in the rate of obsolescence of technology, in the growth of research and development and its output of scientific and technical information, and in the expanding international trade in high-technology products among the industrially advanced countries.

All of these forces of change are placing increasingly great strains on the U.S. patent system. Unless they are properly taken into account, there will inevitably be deterioration in the quality of U.S. patents, in the disclosure of inventions, and in the contribution of Amercan inventions to international trade.

I will first deal with the question of quality.

Valid and enforceable patents are the foundation of the U.S. patent system. In this respect the system is in trouble today. It will be in even deeper trouble tomorrow if corrective actions are not taken.

The quality of the U.S. patent concerned the U.S. Supreme Court in its decision last year in *Graham* v. *John Deere Co.* As you know, the Supreme Court observed what it called a notorious difference between the standards of invention applied by the Patent Office and by the courts.

In saying this the Court recognized the difficult task of the Patent Office in being confronted with almost 100,000 new applications for patents each year and having a backlog of over 200,000 applications.

A number of the provisions of H.R. 5924 are directly aimed at improving the quality of U.S. patents. First, it deals with the longstanding problem facing the patent examiner in searching the prior art to establish the novelty of an invention.

The growth and ever greater complexity of the scientific and technical literature has made thorough searching exceedingly difficult for the examining corps, which is faced with a large backlog of pending applications.

Time and again the claims of issued patents have been invalidated by prior art not found during the Patent Office examination, since the party seeking to invalidate the patent has relatively unlimited time to search the world's scientific and technical literature.

The proposed act would, in effect, extend the search capabilities of the patent examiner by affording the public an opportunity to cite pertinent prior art during the period the patent application is pending.

Thus, the parties most likely to be affected by an issued patent would find it in their interest to locate published literature that would forestall allowing of patent claims that might otherwise pose a threat of infringement.

The act also properly recognizes the need for the Patent Office to conduct a research program to expedite the handling, storage, and retrieval of patents and other relevant scientific and technical information.

Clearly, patents constitute an important part of the world's scientific and technical literature, and their validity depends on the ready accessibility of that literature in the patent examination process.

Another determinant of the quality of the patent is the standard of invention applied by the Patent Office and the courts. If the standard is too high, it could discourage the inventor from applying for protection and possibly deprive the public of his disclosure.

On the other hand, with a low standard of invention the public would pay a price for exclusivity out of proportion to the contribution of the inventor, and the integrity of the patent system would be diminished by the existence of patents of questionable value.

The proposed act would strengthen the hand of the Patent Office in maintaining a high standard of invention by placing on the applicant the burden of persuading the Office that his claims are allowable.

In my view, this provision is essential to the maintenance of the high standard of invention required by the public interest. It is equally beneficial to the applicant in assuring him a patent of high quality and enforceability.

The act wisely provides for an advisory council on the patent system, reporting to the Secretary of Commerce and responsible for appraising the operations of the Patent Office, particularly the quality of U.S. patents.

Still another provision aimed at reinforcing the quality of issued patents would permit any person, within 3 years from the issuance of a patent, to ask the Patent Office for a determination that a patent claim is invalid on the basis of newly cited patents or publications.

In addition to the foregoing measures to upgrade the quality of issued patents, the act further provides for the initiation of a deferred examination system when this is determined by the Secretary of Commerce to be in the public interest.

If instituted, such a deferred examination system would have the advantage of focusing the attention of the Patent Office examiners on those applications where there is serious interest on the part of the applicant in securing patent protection.

Since many patent applications by large corporations are filed for defensive purposes or before their commercial worth has been assessed, the deferred examination procedure would, in effect, establish a standby status to permit further consideration before deciding to proceed to full examination.

I am aware of the differences of view within the President's Patent Commission on the matter of deferred examination, as well as within industry and the patent bar.

Clearly, if the Patent Office backlog of applications were to grow to unacceptable proportions, it would be necessary to provide some system of deferred examination.

Therefore, I believe that the authority proposed in the act should be given to the Secretary of Commerce and that he be given encouragement to initiate deferred examination on a pilot scale in a suitable class of inventions in order to gain experience with a possibly important means of maintaining the long-term quality of the system.

Surely, the patent system should be sufficiently flexible to accommodate the possibility of innovation and improvement.

I will now turn to the matter of timeliness of U.S. patents.

From the standpoint of the public, it is important that there be the earliest possible filing by the inventor for a U.S. patent, early publication of the disclosure of the invention, and avoidance of unnecessary delay in the examination and issuance of the patent. None of these obtain today.

These objectives would be served by provisions in the Patent Reform Act. A first-to-file system would be instituted, with the question of priority for an invention determined by the earliest effective filing date of the patent application in the Patent Office.

The uncertainties, delays, and great expense incurred when two or more inventors contest priority on the basis of the date of conception of the invention would be a thing of the past.

The term of the patent would run for 20 years from the earliest effective filing date, placing the incentive for speedy prosecution of the patent application on the applicant and thereby discouraging excessive delays and prolongation of the expiration date of the issued patent.

Publication of the patent application would be required within 24 months from the earliest effective filing date, with corresponding gain to the open literature and scientific and technical progress.

It would give notice of a potential patent that could affect their business and investment decisions to parties who might be affected.

The first-to-file system is an essential means to speed up the identification and filing of inventions and their disclosure to the public. It would benefit the applicant by establishing unequivocal priority, thereby avoiding the possibility of costly interference proceedings at a later date.

The first-to-file system has the possible disadvantages of forcing premature filing of applications, before the breadth of the invention has been fully developed. However, the system is now in effect in a number of foreign countries, and I am not aware that this disadvantage has been serious in practice.

On balance, the value of the first-to-file system appears to far outweigh the possible difficulties. The provision in the act for filing a preliminary application, with a year's time to refine it into a final application suitable for full examination, should meet the concerns of those who are worried about the problem of hasty filing of patent applications.

Along with the first-to-file system, the Patent Reform Act would eliminate the present grace period for prior art published within 1 year prior to the filing of the application.

This is consistent with the provision that the disclosure in a patent or published complete application would constitute prior art as of its effective filing date. The academic scientists and engineers are concerned about this provision that the possible loss of patent protection due to premature publication would cause university and Government administrators to delay scientific papers until they have been screened for patentable inventions and applications are properly filed.

Here, again, the preliminary application would afford relief since it can be filed without the formal requirements of a complete patent application and with a nominal filing fee.

Nevertheless, we must take care that changes in patent law do not defeat the very objectives we seek—the prompt and uninhibited flow and dissemination of scientific and technical information which is the lifeblood of technological progress.

I look to these hearings to develop further information as to whether the complete elimination of the grace period would place excessive restraints on the inventor.

It may be possible, for example, to provide an inventor with a personal grace period during which an inventor's own uses or disclosures of an invention would not bar the grant of a patent. This would not in any way be inconsistent with a first-to-file system of priority.

Certain of the provisions in the Patent Reform Act are of considerable importance in bringing the U.S. patent system into harmony with the patent systems of many other industrially advanced nations.

I refer specifically to the first-to-file provision and the elimination of the grace period. International harmonization of patent systems is becoming increasingly important to the industrial development of the United States and other industrialized countries since the technological sophistication of products is an increasingly important factor in the export trade of industrially advanced countries and of U.S. direct investments abroad.

Increased harmonization would greatly reduce the duplicate searching that now accompanies multiple applications on the same inventions in different countries.

In the longer term, it could lead to reduction of the number of independent national examinations of the same invention. I believe that progress toward a freer and larger world market requires that we progress in the direction of an international patent system.

Although I believe that these changes in the system are very important from the international standpoint, I feel that they can be justified on the basis of needed domestic improvements.

Because the U.S. patent system today is in a very strong position with respect to any other patent system, I would not advocate steps to bring about international compatibility if they were to weaken the U.S. system.

Fortunately, this is not the case.

There is another provision in H.R. 5924 concerning an international problem of some significance. I refer to section 271(b) which provides that the unauthorized importation of a product into the United States which is made in another country by a process patented in the United tection for the process is not available in the country of origin.
States would constitute an infringement, provided that patent pro-

Similar laws are in force in other countries. It is only fair and equitable to accord the holder of a U.S. process patent some protection against such importation, since there is no logical distinction between the importation of a patented product and an unpatented product manufactured by a patented process.

Not to accord the U.S. patent holder this protection in the United States under circumstances where he had no other way to secure protection on his invention, would be inconsistent with the spirit of the U.S. patent system.

I wish to record my strong support for the Patent Reform Act transmitted by the President to the Congress, and in this testimony I have concentrated on certain features of H.R. 5924 which will, in my view, directly promote the progress of science and technology and the useful arts in the United States.

In this regard, there is a further feature of the bill concerning the definition of patentable subject matter to which I would like to call attention.

Section 106 of the act states that—

> A plan of action or set of operation instructions, in whatever form presented, to cause a controllable data processor or computer to perform selected operations shall not be patentable.

It has become clear that there are some very genuine and difficult questions of philosophy as well as practicability involved in the patentability of computer programs.

It presents a substantial problem of precise definition. Section 106 is an attempt to codify or clarify existing law. Because of the complexity of this matter, the committee may wish to consider further the adequacy of the definition contained in section 106.

In conclusion, I would like to emphasize that changes in the patent laws will not, in themselves, accomplish the purposes intended.

The efficiency, effectiveness, and standards of the U.S. patent system rest squarely on the shoulders of the U.S. Patent Office and its examiner corps.

We have a highly professional and dedicated staff working under a large backlog and under environmental conditions that make its performance all the more impressive.

If we are to maintain a patent system of the highest quality, as befits the world's foremost industrial nation, we must work to bring recognition and rewards to the unusually qualified professionals in the Patent Office commensurate with the high order of their responsibilities as the custodians of the U.S. patent system.

Mr. Chairman, I will be very pleased to answer any questions.

Chairman KASTENMEIER. Thank you, Dr. Hornig.

You are, of course, in touch with the Nation's scientific community, the engineers and scientists. Have they or any associations or groups of them—and they are not directly involved in the practice of patent law itself—in recent years come to you and talked to you about patent law and its inadequacies as they see it?

Dr. HORNIG. Not at great length. I think most of the individuals among them have been concerned about the expense and complexity of the patent procedure and have expressed this often. Specifically, I have received a communication from the American Chemical Society and an expression of views by the Chairman of the Committee on Science and Public Policy of the National Academy of Sciences.

Chairman KASTENMEIER. On the last page of your statement you mentioned section 106 of the bill as it relates to data processing and computers and prescribes what shall not be patentable. You are aware, of course, that there is a corollary problem of copyright and we have had to wrestle with that.

I am not going into copyright law at this time; but do you think that the two problems may be considered relative to one another?

Dr. HORNIG. There are certain points of contact between the two problems, but I think the essential problems are a little different in copyright law and in patent law.

The problem here, which is one of great concern, is whether to consider computer programs as simply a set of operating instructions, as some information. This is one point of view.

The other point of view is that the general purpose computer in a sense is nothing until it has the program in it; and that the program, therefore, determines not what it should do but what it is. I think this is the essence of the argument.

The argument that is made for the patentability of computer programs would, in effect, say that in any mechanical or electrical device there are information-transmitting systems. There are either rods which push or electrical signals which pass from one part to another to tell the device what to do. There is no essential difference between whether the device has built into it a rod which pushes or a signal which passes, or whether it carries in it a punched card or tape which says push the rod or transmit the signal.

So, these question are indeed subtle and difficult. The Patent Office, of course, has given them very careful consideration and come to the conclusion that they should not be patentable.

Chairman KASTENMEIER. Do you think we understand enough about this relatively dynamic field to define precisely what it is we want to cover, or exclude? You seem to call for a more precise definition.

Dr. HORNIG. Yes, I do, because the problem is that if one has the section which bars the patentability of computer programs, then one needs a precise boundary line between what is patentable and what is not patentable.

I think this would be my main point. This whole problem may be of considerable import.

I have with me, for example, some examples of inventions that might be made, but haven't as yet, that might involve a computer.

It is quite conceivable, for instance, that someone might invent a device which can recognize a human voice which, by comparing what I say now with what I have said in the past, could identify me, as human listeners do.

This would be of considerable import for many purposes. It would be a very worthwhile invention, and the most likely route by which this may happen is probably through a suitable program for a general purpose computer.

Is this, or is this not an invention? I can multiply examples of that sort. I think—and this is my highly personal view, let me say—this problem is sufficiently complex so that perhaps it ought to be further examined and that a decision shouldn't be made in the legislation. Perhaps this matter ought to be put aside and treated separately. I don't know.

Chairman KASTENMEIER. That would not be a novel approach, I might add.

Dr. HORNIG. I don't think this is an issue over which the consideration of this legislation should be delayed in any way whatever, because I don't think it is in any way central to the quality of the Patent Reform Act.

Chairman KASTENMEIER. I appreciate your comment, Dr. Hornig.

The gentleman from Virginia.

Mr. POFF. Thank you, Mr. Chairman. I believe the distinguished witness was an observer to the Commission representing the President?

Dr. HORNIG. That is correct.

Mr. POFF. In your testimony you indicate that you support the suggestion of a personal grace period. Do you care to say how long you think that period should be?

Dr. HORNIG. I, first, would like to clarify my comment. I didn't quite say I support the suggestion of personal grace period; I said it would not give me any problems.

Mr. POFF. I didn't intend to put words in the witness' mouth. I assumed, however, he had no unkind predisposition in that direction.

Dr. HORNIG. Not to a short personal grace period, periods like 3 months or 6 months.

Mr. POFF. I am sure the gentleman shares the feelings expressed by the Commission concerning the desirability of increasing patent validity and by pursuing the goal which now may be unattainable of a universal patent? Is this correct?

Dr. HORNIG. I think that if we could arrive at a universal patent system which would meet all of our domestic requirements in the process, I would certainly support it.

Mr. POFF. And as one of the steps in that direction, I assume you feel that there should be improvement in the Paris Convention and adherence to its mandates?

Dr. HORNIG. I think so.

Mr. POFF. In light of that, I wonder why the Commission neglected to include—rather, the bill neglected to include one of the proposals of the Commission, namely, that displays and international exhibits should be excluded from the definition of prior art.

I am sure you would have a continuing concern in that field.

Dr. HORNIG. I think the simple preliminary application procedure really eliminates in a large measure the need for that protection.

Mr. POFF. Another question: Your area of concern is with every aspect of the scientific endeavor, and the Government is involved rather heavily in scientific reasearch, and lets many contracts and invests many dollars every year in that effort.

Do you have an opinion as to why the Commission did not venture a recommendation about patent rights in this area?

Dr. HORNIG. As you know, sir, this is a very difficult and complicated area in itself, and I think that the Commission quite properly took the position that this might represent the next year's work of another Commission.

Mr. POFF. As a matter of fact, the very subject is under consideration in the executive establishment now; isn't it?

Dr. HORNIG. Well, it is under consideration before the Congress right now, too.

Mr. POFF. I believe in the executive establishment, as well.

Dr. HORNIG. Of course, there has been a patent policy statement on that question, which was issued by President Kennedy in 1963 and which has been subsequently endorsed by President Johnson. It is currently under review by the Patent Policy Committee of the Federal Council for Science and Technology.

Mr. POFF. I am not sure that this question should be put to this witness, Mr. Chairman, and I will simply propound it with the hope I can get the answer in some way for inclusion in the record. I think it is important.

Section 111 deals with the application. Subsection (c) provides that the preliminary application shall contain a written description of the invention and shall otherwise comply with the requirement of paragraph (a). Those requirements are that the application be signed, that it include the name of each person believed to have made an inventive contribution, and that it contain a statement of the facts supporting the allegation of ownership if the application is filed by a person who is not the inventor and shall be accompanied by the required fee.

This leads me to wonder as to what would be the scope of the preliminary application if it is not more than what is described in subsection (a), then it has one dimension.

It has entirely a different dimension, however, if I properly interpret section 120, subparagraph (a) (2), which reads in pertinent part as follows:

A complete application * * * shall have the same effect * * * as though filed on the date a preliminary application was filed, if:

(2) the invention sought to be patented, including every feature recited in the claims therefor—

And I underscore that clause including every feature cited in the claims therefor—

is disclosed in the preliminary application so as to enable any person skilled in the art * * * to make and use the same.

Now, it seems to me that there is an inconsistency of definitions here. I don't know how the patent attorney could properly advise his client as to what needed to be disclosed in the preliminary application.

Presumably, forms will be printed by the Patent Office to expedite this procedure, but I think someone now needs to be a little more careful in explaining just what the scope of the preliminary application would be.

Chairman KASTENMEIER. Does the witness feel he can answer that type of question?

Dr. HORNIG. Yes. Would you like to take a crack at it, Dave?

Mr. BECKLER. The requirement for the preliminary application would be a written description of the invention, which, presumably, would be a complete description of that invention.

Mr. POFF. You mean including every feature of every claim?

Mr. BECKLER. Of course, the claims wouldn't be developed until the filing of the full application, but it would be important that the inventor fully describe the scope and detail of his invention so that it would support the later inclusion of claims.

There is a requirement that the invention be fully described, but not in the same formal terms as the complete application.

Mr. POFF. Who is to decide where the requirement is met and where it is not met? Is the Patent Office in each case to make a decision with respect to each application, or is the bar to have some certainty of knowledge about the extent to which each feature of each claim must be described in writing?

Dr. HORNIG. Each feature of the invention recited in the claims must be recited in the preliminary application.

What this calls for, I think, is that the preliminary application recite all the details on which claims are going to be based, which does not, it seems to me——

Mr. POFF. You mean all the details of the invention itself?

Dr. HORNIG. All the details of the invention on which claims are to be based. I think this is what it states, which I think is reasonable.

Mr. POFF. Would that not be rather extensive?

Dr. HORNIG. I think this is the statement that there is an invention.

Mr. POFF. I beg your pardon?

Dr. HORNIG. This is simply the requirement that I be able to describe an invention that I have made and not be merely speculative. I think that Mr. Roth, in questioning——

Mr. POFF. I appreciate the answers, and I think they are responsive and, yet, may I request that the record be held open on this question in the event a more complete answer is available?

Chairman KASTENMEIER. Yes. Perhaps the question might be better put to the Commissioner of Patents.

Let the record show the question, and the question can be answered by Dr. Hornig or his office at another date, or also be referred to any other appropriate person for a complete, definitive answer to the question propounded by the gentleman from Virginia.

Dr. HORNIG. I will be happy to elaborate all I can, sir.

Mr. POFF. I am through.

Chairman KASTENMEIER. The gentleman from Michigan.

Mr. HUTCHINSON. Dr. Hornig, on page 8 of your statement, speaking about the terms of patents and so forth, did I understand this bill would call for a patent term of 20 years, and the present law provides 17 years? Also how long does it normally take to process a patent application through the Patent Office? About 3 years?

Dr. HORNIG. I think at the present time about 2½ to 3 years.

Mr. HUTCHINSON. So that simply adding 3 years to the terms of the patent would really provide no extension of it. The effective time would be about the same as it is now—about 17 years.

The question I have in my mind raised by your statement is this: it is highly suggestive here that this arrangement would encourage patent applicants to hurry on in the process, to get it through as quickly as possible, because if they don't it will be counting against their time.

It occurs to me that there might also be an increased amount of pressure on the Patent Office, and perhaps on the Congress and so on to enlarge the Patent Office, because they might claim that the delay is on the part of the Patent Office rather than the applicant? Is this likely?

Dr. HORNIG. I don't think so. The Patent Office does have a problem now in its backlog, but the procedures provided in the bill would not complicate the work of the Patent Office.

There would undoubtedly be a heavy load of preliminary applications, but that is simply a filing operation, and it does not require work of an examiner.

The provisions for publishing and introducing into the examination period prior art cited from outside the Patent Office should expedite the work of the examiners.

Mr. HUTCHINSON. What all this suggests to me, though, is that there is going to be a lot more pressure for increasing the number of examiners and enlarging the staff of the Patent Office in order to get going on these things, because every day counts against the effective term.

Dr. HORNIG. I think there is an incentive to move things properly, but I don't think that there is necessarily any proper reason for a delay in the Patent Office in the issuance of patents, so I think that the matter you raise is really independent of what patent law we operate under.

Mr. HUTCHINSON. Except that as the system now works the 17-year term commences as the time the patent is issued, doesn't it?

Dr. HORNIG. I think you are quite correct that, from the standpoint of the inventor, delay extends his term, but from the standpoint of the public interest, from the standpoint of those the patent may affect, there is every reason now why we should bring patents into full force and effect at the earliest possible date.

Mr. HUTCHINSON. That is the only question that I have, sir.

Chairman KASTENMEIER. The gentleman from Delaware, Mr. Roth.

Mr. ROTH. I would like to go back again to this problem of the preliminary application, as I am concerned that it could still be provocative of litigation.

To your knowledge are there any foreign countries that currently have this system of the preliminary application?

Dr. HORNIG. No. Most foreign countries, other than Canada, have a first-to-file system. I am not aware offhand—Mr. Beckler has informed me that the United Kingdom has a provisional application system which is related somewhat to this.

Mr. ROTH. On page 8 of your testimony you make the statement that there is concern that the first-to-file system has a possible disadvantage of forcing premature filing of application before the breadth of the invention has been fully developed.

You state later in the same paragraph that you believe that the provision of the act for filing the preliminary application, with a year's time to refine it into a final application suitable for full examination can meet the concern of those who are worried about the problems of hasty filing of patent applications.

I am concerned as to whether it might not have the opposite effect. I just wondered if the right to file a preliminary application and perhaps the lack of clarity as to what that requires may not have the effect of causing premature filing?

Dr. HORNIG. This, of course, relates back to the question that Mr. Poff asked me. I would like to look into the matter a little further, but I would suggest that the requirement that sufficient detail be disclosed to support subsequent claims is a very considerable restraint on the filing of purely speculative preliminary applications.

Mr. ROTH. Just one final brief question: on the advisory committee to the Secretary of Commerce in the patent area, was any thought given to naming certain officials who should automatically be members of this committee or should complete discretion be given to the Secretary of Commerce?

Dr. HORNIG. I don't know how much thought was given, but both the members of the Commission and our Committee thought appointments should be made by the Secretary of Commerce.

I don't think any serious thought was given to naming statutory members.

Mr. ROTH. Would you think there was any wisdom in, for example, naming such people as the head of the Patent Office?

Dr. HORNIG. My own experience with advisory committees is that they are the best advisors when they are free and independent. Since the head of the Patent Office would be one of the recipients of advice, it would seem to me he would certainly be in touch with the committee. It would be better not to have him as a member of the committee which is to advise the Department of Commerce.

Mr. ROTH. Thank you.

Chairman KASTENMEIER. The committee thanks you, Dr. Hornig, for your contribution this morning.

The Chair would like to announce that this concludes the testimony that the subcommittee will receive this morning; that the next meeting of the committee is set for April 26, next Wednesday, at 10 a.m., in this room, at which time we will hear from Judge Simon H. Rifkind, Cochairman of the President's Commission on the Patent System. Also the Small Business Administration which will be represented by its general counsel, Mr. Zeidman, and its assistant general counsel, Mr. Davidson.

Until that time, the committee stands adjourned.

(Whereupon, at 12:35 o'clock p.m., Thursday, April 20, 1967, the subcommittee hearing in the above-entitled matter was adjourned.)

GENERAL REVISION OF THE PATENT LAWS

WEDNESDAY, APRIL 26, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 2226, the Rayburn House Office Building, Hon. Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel; and John W. Dean III, associate counsel.

Chairman KASTENMEIER. The subcommittee will come to order for the further consideration of H.R. 5924, the so-called Patent Reform Act. Our first witness this morining will be Judge Simon H. Rifkind, who cochaired the President's Commission on the Patent System.

Judge Rifkind, you are most welcome to the committee. I understand you do not have a prepared text but you may proceed in any manner you wish.

STATEMENT OF JUDGE SIMON RIFKIND, COCHAIRMAN OF THE PRESIDENT'S COMMISSION ON THE PATENT SYSTEM

Mr. RIFKIND. I was just about to apologize that I did not have a written text which I could hand in and have you peruse. I have not had the opportunity to prepare it. But I have prepared some notes which will at least prevent me from wandering too far afield. I hope that I shall make some small contribution.

For your record my name is Simon H. Rifkind. I am a practicing lawyer with offices in New York City.

Let me say at the very outset that I have to appraise my qualifications to be of assistance here to you rather modestly. I am not a patent lawyer, and I do not quite understand what series of misadventures brought me to this chair, before this very distinguished committee. I have had some small experience in the patent field and I don't want to understate it. It is not my purpose to overstate my lack of capacity. On the bench, as a Federal district judge, of course, I have had to try some patent cases and, at the bar I had patent cases, both at the trial and at the appellate level. But operating on the theory that a good patent lawyer can teach a trial lawyer to try a patent case, I have never mastered the patent law. Always some patent lawyer gave me sufficient of the substantive law I needed in order to enable me to try or argue the patent case. There is some

degree of self-preservation involved in my statement. I do not expect that I shall be able to answer questions which are designed to deal with the technicalities of this branch of the law. That is not my field.

I would suppose that on the Commission, the President's Commission for Patent Revision, I served as a kind of lay-juror in the midst of a great many people who were, of course, peculiarly gifted and experienced in this field. Indeed, it was only after some sessions that I became an Acting Chairman and then Cochairman of this Commission by the reason of the illness of the Chairman designated by the President.

But let me say to you gentlemen, that having had some experience in chairing one group or another in the course of my life, never before have I encountered a group of men who were such rugged individualists as this particular group over which it was my privilege to preside. Indeed so much so, that in the beginning I experienced a considerable sense of alarm about our capacity ever to arrive at a common result because of the very ruggedness and individualism of the members of this Commission. Among them of course were some of the captains of those industries which are at the very growing tip of our new technology. Men like Mr. Thornton of Litton Industries, men like Mr. Birkenstock of IBM, are right at the bit point of the penetration into the area of the unknown, as far as the developing and exploding technology is concerned. We had genius inventors on this Commission; a man like Dr. Bardeen, the inventor of the transistor. There were on this Commission persons who were peculiarly qualified because they were very active leading members of the patent bar like Mr. Neuman and Mr. Clement. And then we had educators, who of course, were very much alive to the peculiar requirements of the patent system as it affected people in the academic world; men like Guy Stever, the head of Carnegie University and of course, Mr. Ranson, the chancellor of the University of Texas, our first chairman. Then we had specialists in the field of research and development, in the practical sense: men like Howard Nason, president of the Monsanto Research Corp. and Bernard Oliver of Hewlitt-Packard, both men in charge of vast research programs for these were important corporations. And of course we had a whole group of Government people around us from State, Defense, the scientific agencies, and the Small Business Administration, a group which was not at all restrained in the expression of its special interests, and naturally, the Commission of Patents.

Let me say at the very outset that if anybody is under the impression that this was a group of VIP's, assembled by the President, who turned over the task of working out a proposal for the revision of the patent system to a staff and then, having read the staff's proposal, subscribed the rather standard "We concur," then that person is violently mistaken as to the history of this Commission. No such thing occurred. We were briefed at an opening session by Dr. Holloman. I hope Dr. Holloman doesn't mind if he hears me say that the scope of our assignment as he exhibited it to us left me, at least, with a sense of complete dissatisfaction in that it seemed to me that the task assigned to us was of much too modest a scale to warrant our effort and concern. I was not interested in changing some commas or dotting some i's in the patent statute. Either we were going to do something that was going to make a difference to the patent system of the United States or we ought to go home and let some clerks handle it. Well it did

not take very long before this Commission took hold and produced what I suppose is a rather major revision of the patent structure of the United States.

There were many discussions, many debates. At first they seemed to be going in every possible direction; but out of the collision of the minds of these peculiarly gifted people there finally emerged a pattern of constructive ideas which began to take shape as a series of provocative recommendations. I will boldly suggest that this is one case where the deliberations were of such a character that the end product generated by this group of people was superior, in my opinion, to that which any one of them could have created by his own efforts. I have had some experience with what happens when groups try to write something. Generally it gets diluted down to the lowest common denominator. Such was not the experience, in my opinion, of this body which prepared this report. I think that out of the very accommodation which was made necessary by the colliding views of the different interests that were represented, there emerged solutions to a number of problems which are superior, and indeed more conducive, to the attainment of the objectives of the patent statute, than if the greatest and wisest of the members were available to write this report alone. One of the heart-warming aspects of the discussions, which left a very deep impression upon my mind, was that despite the fact that a great many of these members represented so-called large, vested interests, and I refer to the vested interests in both ends of the spectrum, very large and very small, their thinking was suffused and colored by a very deep sense of the public purpose we were serving and the public welfare we were supposed to advance. We were dealing with a a group of gentlemen who could surmount their particular, parochial interests and achieve a result which they regarded as a patriotic contribution to the welfare of their country.

Now in the actual operation of the Commission's work, our first assignment was to mark out the boundaries of a doable task. By a "doable task" I mean something that could be accomplished within the space of a year, which was the period of time made available to us by the President, and which could be achieved by the talents of the men available to us. There was no use our undertaking to do something which was either beyond our time limits or beyond our capacity. We did not stop to cogitate unduly about the ultimate philosophical consequences of having a patent system or not having one. We did subscribe to some generalizations about it, but this was no seminar conducted by philosophers at a university. We made a literature search, as you would expect, and we collected a catalog of all kinds of suggestions, gripes, criticisms, squawks that had been poured into the literature over a period of a generation. That ranged all the way from such grand matters as a reexamination of the philosophy underlying the patent system to such petty matters as to whether the drawings which normally accompany a patent should be on the first page of the instrument issued by the Patent Office or on the back page of the instrument and whether the patent should be printed in double column or single column. It ranged all the way. But of course our report or the report of this Commission does not attempt to run this whole gamut. We constricted it, confined it to a limited and stated number of objectives.

Against the philosophical foundations which underlie the Constitution's grant of the patent power, nobody was willing to mount a challenge. We were spared the necessity of that long deliberation. I will confess that we accepted it as a "given" that the patent system has in the past performed well its constitutional mandate; namely, to promote the progress of useful arts. In answer to the question, does a patent system have utility today? the Commission unanimously agreed on the following proposition. It agreed that the patent system today is capable of continuing to provide an incentive to research development and innovation, provided it is modernized to meet the new facts of modern technology. We did consider a number of possible alternatives or supplements but they did not survive scrutiny.

Those of you who have read the President's letter of transmittal to the Speaker accompanying the bill which is under consideration by this committee will perhaps have noted that the President is even more bullish on the patent system than your Commission. Now I will again make a confession, speaking for myself alone. I have a suspicion, built on nothing but hunch, that the really great breakthroughs in technology which have benefited mankind over the ages would have happened, patent system or no patent system. The really great, creative geniuses of this world would have contributed their inventions even if there were a jail penalty for doing so. But that in itself would not have been sufficient. The patent system is more essential to getting together the risk capital which is required to exploit and to develop and to apply the contributions of the genius inventor than to provide a stimulus for the actual mental contribution. It is to the former that the economic motivation is indispensable. The money will not be risked unless there is some sense of assurance that a benefit will be obtained. Moreover, a great many of the lesser inventions which are useful to fill out and flush out the technology have, of course, been motivated by the prospect of economic return or reward.

There is one important area of the patent problem which might have received Commission attention but did not and that is the Government patent policy. Especially is that important at a time when the Government is the promoter and financier of a vast amount of research and development. We abstained by decision of the Commission for the simple reason that we came to the conclusion that the committees of the Congress had already invested a vast and grand effort in the analysis of that problem and in the formulation of solutions thereto, that we would simply have been repeating less ably what others had already done.

We have marked out a half dozen areas of concern and all of those are reflected in some part of the bill which is before you.

The first was how to improve the quality of the U.S. patent. In a few minutes I will state just what I mean by quality and what I mean by improving.

How to reduce the period of pendency between the time of filing of an application for a patent and the time of the disposition of that application by grant or rejection.

How to accelerate disclosure of new technology to the world at large and thereby stimulate further exploration and invention.

How to ease the burden of cost in the procurement of a patent and in the litigation for its enforcement or invalidation.

How the patent system might serve to further America's international goals.

Lastly, how mechanically, technologically, to prepare the Patent Office for the technological explosion which is all around us, especially if we view it from its projected status, say, a decade or 15 years hence.

Now at the early seatings of this Commission we subdivided ourselves into a number of subcommittees in order to examine each of these several areas of concern. But we soon discovered that these questions that I have listed, which can be verbalized separately, cannot be treated as separate and discreet. They are all interpenetrated with each other and only an interrelated and a coherent program rather than a series of separate prescriptions can achieve the result of bringing about a substantial improvement.

We adopted another generalization early in our deliberations. From many quarters we had, of course, received as I described, complaints indicating that the patent shoe pinched either here or there. The one decision which I think is germane to almost every recommendation we have made is that we were going to eschew the use of foot powder and instead try to design a roomier shoe for American research and development. The reasons are quite evident. The first of these is that the current program of research and development is demanding a larger amount absolutely, and a larger percentage relatively, of the Nation's resources than ever before in our history. Government, institutions of learning, and private industry are contributing to this enterprise. It requires, therefore, more concentrated attention than it has received in the past.

Secondly, the world accumulation of technological literature is growing so fast that it is outpacing the capacity of conventional means of storage and retrieval, and indeed of human minds to entertain it.

Third, we already have a blacklog of about 200,000 patent applications pending in the Patent Office. The rate of filing these applications is growing and the complexity and the sophistication of each of the applications or a great number of them is increasing at a geometric pace. We asked ourselves, how can we possibly expect the patent examiner, unaided by the most up-to-date tools and acting ex parte, that is, on the one-sided statement of the facts, how can he possibly cope with the situation? And it became pretty plain to us that a system which in essential aspects dates back to that which was contrived back in 1836 is not likely, no matter how much tinkering we apply to it, to be responsive to the need of 1967. That takes me to the first item that I mentioned; namely, quality.

It has been commonplace to point to the gap between what the courts do and what the Patent Office does with respect to patents. And out of that has developed an acceptance of the quip that a patent was no more than a license to sue. I should confess to you that I don't understand why anyone should be surprised that the gap exists or why anybody should comment at all on it, as the Supreme Court did.

Let us assume, gentlemen, that all controversies that enter our courts were handled on an ex parte basis; the plaintiff comes in alone and gives his statement of the facts and his notions of the law; in the absence of his adversary, these are submitted to the judge for decision. You would hardly be surprised if he persuaded the judge that he was right. Thereafter, after you get an ex parte judgment, the defendant

comes into challenge it, then for the first time does the defendant have a chance to be heard. Surely it would not be surprising if a great many of the ex parte judgments would not survive the second-stage attack upon them. That is what has happened in the Patent Office. The applicant has submitted his application, he speaks to the patent examiner alone and out of the presence of anybody to challenge what he says, and he gets, so to speak, a judgment in the form of a patent. Then somebody discovers that it challenges or trespasses upon what he wants to do and for the first time you get a two-sided exploration of the problem. Indeed, I am surprised that the patents do as well as they do in the courts, rather than the reverse.

The quality of the judgments that would be obtained in this ex parte method, no matter on what scale you might measure them, would not be high. They would be of modest or low quality; and I think, necessarily, that must be true of ex parte patents. But there are in addition a number of factors which contribute to the low esteem in which the patent is held.

First is the practice that prevailed at the Patent Office until very recently—I am told that it has since been changed—whereby the examiner was instructed that if he was in doubt as to whether the patent applicant was entitled to a patent, he was to resolve the doubt in favor of the applicant. Try to apply this in any other area of the law and you are immediately appalled. It cannot be entertained as a logical proposition. But in the patent field the practice has been that you ask for a Government monopoly and though you have not quite persuaded the examiner that you are entitled to it, nevertheless he must issue it to you. I realize that a great many people think that is a good idea. I heard one very distinguished commentator on the subject say that we ought not cry about that. He reminds us that a great many very successful little businesses were started on patents which were subsequently declared invalid. It reminds me of the famous story about the counterfeit $10 bill, which as long as nobody knows it is counterfeit, performs the function of money, passes from hand to hand, pays bills, discharges obligations; indeed until somebody finds out it is no good, it does quite well; but then in the end somebody gets stuck. It is the last fellow that gets it in the neck. During the early thirties, during the so-called depression, many people said that we ought not to have a gold standard law. If nobody knew that the gold stock in Fort Knox was swallowed by an earthquake, everything would nontheless move along just as though it were there. That is true. You can operate on a myth and some myths perform very well for society and for mankind. But I don't recommend such a course for modern society. That is not what the Constitution had in mind.

Another administrative practice which I would take the liberty to criticize—I don't know that it is still in operation; it was in operation when our Commission was functioning—is the quota system. Under the quota system, each examiner has to turn out a certain number of granted patents per period, per month, per week. If he fails, he is subject to criticism. It adversely affects his chance of promotion. I don't think that is the way you lift quality.

Lastly, of course, is the strange judicial arrangement whereby a person who is denied a patent can travel by two different roadways in order to have the action of the Patent Office reviewed. He can either

go to the district court and have a trial or he can go to the Court of Patent Appeals and get a review on the record made below in the Patent Office. From the district court an appeal lies to the Court of Appeals for the District of Columbia, which is a general appellate court. No such appeal lies from the Court of Patent Appeals. It has been suggested to me by members of the patent bar, and I am in no position to speak on that with authority, that this system of twin routes generated a degree of uncertainty. The applicant naturally selected the tribunal which he regarded as favorable to his cause. That, too, did not contribute to quality.

A great many of the recommendations made by the Commission, and a great many of the proposals which are set forth in this bill which is before you deal with and contribute to the elevation of quality. The first of these that I want to mention is recommendation No. 10, which is reflected in section 137 of the bill. And simply stated it reads "The applicant shall have the burden of persuading the Patent Office that a claim is patentable." Indeed, unless you were familiar with the practice of the Patent Office heretofore, you would assume that had been the rule. There is no other administrative agency in the Federal system wherein a different rule applies. This is a rule which ought to govern whether the citizens should receive a reward for a contribution. Logic would suggest that he should not get the reward unless he has persuaded the appropriate authority that he has made the contribution. Indeed, unless he has made a contribution, the Constitution would not authorize giving him this reward. The reward is in the form of a monopoly. A monopoly under the American system of law is something to be looked upon with suspicion. It should be granted only in exceptional circumstances. A patent is one of a number of monopolies that the law tolerates; but the grant of each one is surrounded by high boundaries and conditioned on important considerations. It would seem to me that unless we do operate under the proper rule we are not entitled to say that once a patent is issued a court should give it the presumption of validity, which is what the statute says today. I don't see how you can bootstrap a doubt into a presumption. To me that is a logical impossibility.

The next recommendation is No. 11, which is restated in section 136 of the bill. This permits the public after the publication of the tentative allowance, to come in and bring to the attention of the Patent Office references which would justify the denial of the application. I have talked about the present system being an ex parte system. By the very nature of it an ex parte system cannot reach the utmost in quality. This proposal is a small contribution toward making the patent application go through somewhat of a contest; it is not quite an adversary system, but it is a little whiff of an adversary system. It ought to be of considerable help in winnowing out the worthless patents less expensively than if they had to wait for the very cumbersome process of a judicial declaration that the patent is invalid. Under the proposed procedure one can call to the attention of the patent examiner to prior art that his quick search had not turned up. This is desirable for the applicant who is spared the waste of time and money and, of course, for the public. Indeed there is a great advantage here for the little inventor. It is the little inventor and the little businessman who needs all the help he can get. He does not have the resources for extensive

search and does not have large numbers of lawyers who can assist him. If the public comes in and calls attention to some prior art which reads on a tentatively granted application he can revise and narrow his claim so as to escape from the reference and get the benefit of a more limited patent. Under the present system he gets a worthless patent. On the first contest it dies. All he enjoys is the opportunity to spend money in defending it.

Next is No. 13. No. 13 is reflected in section 148 of our bill. Thirteen confers upon the Patent Office a presumption of correctness in the refusal of an application. Perhaps I should explain. In almost all other administrative agencies that I am familiar with, whether it is the Securities and Exchange Commission, the Federal Trade Commission and so forth, it is recognized by the courts that Congress has confided a particular problem to a body enjoying, as a result of its experience a special expertise in its field, that its judgments and its findings of fact in particular should be treated with respect. That has not been true with respect to rejections by the Patent Office. In conjunction with the recommendation we make later on about upgrading or professionalizing the staff at the Patent Office, we here recommend that the Patent Office should be treated as an equal in this group of administrative agencies. That does not mean that the courts are going to abdicate their responsibility in the construction of the law administered by the Patent Office. The law has always been reserved for the courts, whether it is in reviewing decisions of the FCC or the ICC or any other agencies. But the facts to which the law is applied, the courts have generally left to the administrative agencies if there is some reasonable rational basis for it. The statutory formula differs from agency to agency.

In determining the facts, it ought to be recognized that this agency has been endowed by Congress with responsibility in this area, that it has developed experience and intuition and knowledge in this field, and that its findings ought not be brushed aside unless there is good reason for doing so.

Another suggestion for the elevation of quality is No. 14 which is reflected in section 147. That deals with the appellate route. A few moments ago I referred to the fact that one who is disappointed in the action of the Patent Office has two ladders on which he might climb out of his misfortune. He might go to the District Court of the District of Columbia and get a trial or he can go to the Court of Patent Appeals and try to have the Patent Office reversed. From the Court of Patent Appeals the disappointed applicant can apply to the U.S. Supreme Court. The Supreme Court's calendar, of course, is so crowded that it must operate largely by the certiorari system. As you all know it has accepted patent cases only once in a long while. This last year it accepted a few patent cases for the first time after many, many years and it is not to be expected that it can frequently accept for adjudication other patent cases.

There has been some criticism that by authorizing the Court of Appeals for the District of Columbia to review decisions of the Court of Patent Appeals we have downgraded the Court of Patent Appeals. I do not see it that way. We call it the Court of Patent Appeals which is a perfectly appropriate title but actually it is the first judicial body which reviews rejections by the Patent Office. It deals with them at the

same level as the U.S. District Court for the District of Columbia. Therefore it seems to me not at all out of order that reviews of that body should go to the Court of Appeals for the District of Columbia.

The advantage is obvious. It will create a single court which will avoid the collisions that now occasionally occur between the Court of Patent Appeals and the district courts. Thus the Patent Office will have a single set of instructions to be guided by. The Court of Patent Appeals would, obviously, be able to handle many more such cases than the Supreme Court could possibly handle.

There is one other aspect to this and that is private to myself. And I would like to distinguish my private views from those that I have expressed on behalf of the commission. I have a great aversion to specialized courts.

In my view, when you are dealing with a matter that concerns the general welfare of the United States, it is not wise to create a small group of men who become, like the Egyptian priests, the sole custodians of a body of knowledge and who sooner or later begin to talk a language that nobody else understands but which is common only to them and the practitioners that appear before them and who drift away from those general principles of equity, morality, which pervade the entire judicial system. It is my view, on the basis of some experience in the courts, 10 on the bench and 30-odd more at the bar, that to the extent that you have courts which are exposed to a wide variety of doctrine, who are the beneficiaries of all kinds of discussions, who are capable of reasoning by analogy from one field of the law to the other, and who are therefore in touch with the generality of the population, to that extent you have a judicial system which is more alive and more responsive to the community it is designed to serve; and therefore, I prefer to see the decisions of importance made by a court which is the beneficiary of that kind of variety rather than by a court which is perhaps more expert in its own field but less open to this general flow of knowledge and opinion. I know that there are many men who disagree with me and men for whose opinion I have the highest respect. But that is my view and it is not a new view. I have heretofore expressed it in writing.

Recommendation No. XII is not reflected in this bill because it is an internal, administrative matter. It suggests a system maintaining internal quality control. I must confess that this is an area with respect to which I am not able to speak with any confidence. I don't know how one sets up quality control in an establishment; but a number of the gentlemen who were on this Commission whose responsibility this is, that is to maintain quality in research organizations or development organizations say that it is within the capacity of an industrial organization. It is possible, they say, to establish internal quality controls which would tend to lift the standard of quality.

If I am exceeding my time I wish you would tell me.

Chairman KASTENMEIER. The witness may take as much time as he requires.

Mr. RIFKIND. Thank you very much.

There is in the bill section 15 which creates a statutory, advisory council which also has responsibilities assigned to it with respect to the maintenance of quality control. It is to be maintained by a continuing watch over the operation of the patent system in relation to the changing technology in which we live.

Of utmost importance in my judgment is recommendation No. XXVIII, which again is not reflected in the statute because it is a budgetary matter. But everything we say and everything we recommend can produce only modest advantage if we don't come to grips with the fact that our physical establishment in the Patent Office has fallen behind the times.

If any of you have visited the Patent Office—this was one of my first experiences at the Patent Office—and have seen the filing systems they employ, the old shoeboxes they use, you know that I speak the simple truth—when I say "shoeboxes" I don't mean it literally. They call them shoeboxes because they look like shoeboxes. Generally, the facilities available to the examiners are such that I think you would feel they are not compatible with the kind of structure that this committee, for instance, holds it hearing in. I am not now talking about luxury. I am talking about efficiency; I am talking about a modern plant.

More important than the plant is to have a professional morale inspired into the staff by upgrading their status, lifting their fears and giving them a sense of participating in an important field of human endeavor, not a low grade clerical job. I think if you can modernize their equipment, elevate their status, professionalize their relationship to the Patent Office, I think you will achieve more than by any other single recommendation that is made here.

There is reference in section 12 of the proposed bill to a study of the whole problem of storage and retrieval of records. Let me say on that subject just one thing.

The world has, of course, become very small in terms of communication and travel. There may have been a time not so long ago when a fellow who visited some distant country brought back an idea that he saw in operation there, he was making a contribution that would entitle him to a patent. Perhaps if Marco Polo came from China and introduced something that he saw there on every street corner, he might be rewarded with a great prize because the people of the country he brought it to had not seen it.

But today the world is getting too small for such a parochial notion. Today our television eyes see and are searching out distant parts of the earth if not the celestial bodies. And I don't think that modern society would be willing to reward a man in the United States because he brought over something that he saw in Tokyo, or even in a place more remote than that. We are operating on a worldwide technological structure. If you operate on a worldwide technological structure you have language problems; you have translation problems; you have all sorts of difficulties beyond the very massive quantity of material you have to deal with.

It has therefore become indispensable that we develop a system whereby this vast technological literature which belongs to the human race can now become available at the fingertip demand of an examiner sitting in the Patent Office. That will take a lot of machinery, a lot of ingenuity, hundreds of millions of dollars in my opinion, but it has to be done, if we are to make progress in this area.

I have concentrated on quality. Why? Because quality enters every other phase of the assignment given to the Commission. If the message attains credibility that only patents of quality will survive Patent

Office scrutiny and the inventors accept that proposition, then the number of applications will decline, the backlog will shrink, the time of pendency will shorten and the time available for more careful consideration by the examiner will expand. Today there is no idea so minute that it cannot find some patent lawyer who is willing to advance its cause before the patent examiner. Moreover when patents enjoy a greater measure of respect and credibility in industry they will be less frequently challenged in the courts. This, too, will reduce the expense so frequently complained about.

And finally, the prevalence of higher quality patents means that the number of fences which a researcher must overleap in pursuing his research project will be diminished, leaving more open country accessible for discovery of even more technology.

In a recent decision in the Second Circuit—the name of it is *Ling-Temco Vought* v. *Kollsman Instrument Corporation*—decided in January of this year, the dissenting judge reported that, during the decade from 1953 to 1963 the Court of Appeals for the Second Circuit had declared invalid 65.6 percent of the patents which it reviewed, for lack of invention. Now we can extrapolate that for the country with somewhat lower or higher percentages; it doesn't make any important difference. Please consider the vast waste of time, energy and money involved in the procurement of these patents and in the litigation over them. What of the cost involved in deterring the development of business enterprises because of the threat of such patents.

And again I want to speak of the small businessman. If the great giants of industry find, in the course of their projection of a new product, that there is some patent in the field, they have access to the finest patent brains in the country and they are very quickly told whether the obstructing patent is worthless and if so they go right ahead. It is the little businessman who, when his lawyer tells him there is a patent in the field, gets scared; he is worried and he doesn't know what the expense of the litigation is going to be; he freezes and does not go forward. Think of the loss incident to the building of a business where you did rely on a patent which turns out to be worthless. It seems to me that a substantial escalation of quality would minimize all this social waste.

Finally it seems to me that an escalation of quality is an essential aspect of that distant star for those little people with an amused look on their lips. The universal patent—which the Commission has put into orbit—perhaps it is only a hope, perhaps only an inspiration, but there is both hope and inspiration in the idea of a universal patent, obtainable in a single office, for worldwide application, at a single expense, maintainable without having a battery of lawyers around the globe.

The second major area of concern that I indicated was how to reduce the time of pendency between application and disposition. First of all, a well equipped, well financed, well professionalized staff will make a great contribution in that area.

More important is perhaps the single recommendation made in this report which has aroused so much patent for opposition, and that is the recommendation of a first-to-file system. I saw that Dr. Hollomon and Commissioner Brenner both spoke about the first-to-file system. I will not elaborate upon it, except to say, there seems to be a misconcep-

tion on part of a great many of the critics of the first-to-file system. From the letters I have received, I get the impression that these writers think that this Commission has recommended that anybody who first walked into the patent office with a piece of paper on which a new idea is presented gets the patent even though he may have picked it up at the corner drugstore from a friend of his or a stranger. Of course, there is nothing to that at all. The first-to-file system deals with inventors. It is the first among inventors that we are talking about. It answers the question, as between two inventors who shall get the patent. Each of them must be the inventor of the newly disclosed product or process. If you think that is a rare occasion where there is simultaneous or closely time-related invention in several places, you are in error. There is a great deal of that. But we subscribe to the notion that the Constitution meant to reward not the man who cerebrates an idea, but the man who cerebrates an idea and then makes it available to the public. Quite logically he who has conceived an idea and is also the first to make it available to the public should get the prize.

I have heard described all kinds of injustices that would flow from a first-to-file system: how one man rushes to the post office, but being in the city, the post office is around the corner, but the other fellow is in the country and he has to get into his Ford and drive 12 miles to the post office. That is a lot of nonsense, if I may respectfully say so. The same kinds of problems, of course, prevail under the present system. I have heard of a situation where a fellow made his journal entry at 9 o'clock in the morning in San Francisco and another has made it at 9 o'clock in New York and then the argument is made that 9 o'clock in San Francisco is, in fact, later than 9 o'clock in New York. All this does is to show apparent injustices; inequities prevail under any rigid system; our patent law is rigid because it says that only one man can get the prize. There is no second prize in the patent system. Perhaps we should have it, but that would be a different system.

People have told me that a first-to-file system cannot work. I am not persuaded, because I am told that, in almost every country in the world except two or three, the first-to-file system operates. What it would do in the way of expediting the entire operation is beyond measure. There is nothing more wasteful of time than an interference proceeding between two inventors who try to prove which one of them first conceived and first reduced to practice an idea. They keep records. And I don't want to say anything unkind about anybody; but there have been times when I was sitting as a judge and had to look at the file wrappers; sometimes I had doubts about the integrity of the entry. One can keep a diary which is a day early or a day late and one can stop his clock; one can do all sorts of things in the privacy of his closet. A system which depends upon notebooks privately kept by inventors does not appeal to me as a very sensible system. And there again the little fellow gets in trouble. The big corporations of course, are very much alive to the requirements to the law. And they ride herd on their inventors and they see to it that they maintain their notebooks carefully, that they punch clocks and have witnesses to support the entries; they set it up in apple pie shape. It is the little man, who suddenly seems to have acquired many zealous spokesmen, who overlooks these technical requirements. He doesn't do it quite right. And he runs into trouble whenever one of these conflicts comes up.

In a first-to-file system there is no argument about priority. There is the record, all in the Patent Office. You know exactly who got there first. And to the extent that it constitutes motivation for acceleration so that the invention is disclosed promptly, you are promoting the ultimate objective of the patent system. All this, of course, is at section 102 of your proposed bill.

The next recommendation productive of acceleration—I will be through in a little while—is No. 18, which is reflected in section 154 of the bill.

This measures the duration of a patent from the date of filing instead of from the date of issuance. That change looks like a rather simple gadget and yet it is of great importance.

Under the present system you can file a patent application in 1950 and, if your patent doesn't emerge until 1960, you then have 17 years in which to enjoy a monopoly. Of course, many ideas are not fully ripe for actual commercial exploitation; the inventor likes to sit with it. So the patent bar, and I hope none of them will take offense at what I say—develops a leisurely pace in the prosecution of patent applications in the Patent Office. You always take the maximum amount of time the rules permit, for filing the next piece of paper. You always file amendments and more amendments and you engage in more and more correspondence and more and more conversation, and meanwhile the years drag on. It isn't until the patent is actually issued that the patent term begins. If you change that rule and declare that your monopoly will expire 20 years from the date of the filing of the application, which is 3 more years than we have now, then everything changes. The motivation is all in the interest of expedition, because every day you lose while the application is under consideration shrinks the time dimension of your monopoly. So here you have an engine which is going to make the patent bar move in quick time instead of the slow time which is now the recommended course of procedure.

The bill has one more scheme for speed which was the subject of the greatest amount of debate in the Commission. It provides that if all of these systems that we have suggested for acceleration do not succeed we should adopt a system of deferred examination. I should like to elaborate on that. There were some members of the Commission who advocated the immediate installation of the deferred system of examination, on the ground that that would immediately withdraw from the pipeline a large number of worthless patents or dubious patents which the inventors are not really eager to have processed at this time. Others were opposed.. We have reached an accommodation on the recommendation which is reflected in the bill that upon recommendation of the advisory council the deferred system can be installed. Perhaps that is as good a method as can be suggested to deal with the contingency of continued buildup in the number of applications.

Now I go to the question of how to accelerate disclosure. The second recommendation, which is reflected in the bill, I don't remember now what section, which eliminates the grace period and substitutes the temporary application, is the greatest contribution in that field. A preliminary application is an informal piece of paper that can be filed by the inventor himself, which gives the substance

of his idea and does not require the help of lawyers. It gives him a year within which to file his formal application. There is not anything that the grace period enables him to do for which this preliminary application would not be equally satisfactory, as I understand it. In any event this was much desired by the academic fraternity. Academic people want to feel free to deliver papers before professional societies and learned societies. By this method they can file the proposed address or a summary and they would receive all the necessary protection. They would escape the risk of a premature disclosure. By this means you can accelerate the period in which a new contribution is made available to the public.

The second means of acceleration is set forth in sections 123 and 151 which reflect recommendation No. 7. Not later than 24 months after filing, and earlier under certain circumstances, there is to be a publication of the information disclosed in the patent application. I cannot tell you how important that is. The reason is this. When an application goes into the Patent Office pipeline, under the present system it is kept in the dark. It might be lying in that pipeline in the dark for 1, 2, 3, 4, 5, or 10 years; and all the time that thing is in that pipeline it is a boobytrap for somebody. You, not knowing that there is such a patent application in the pipeline, go ahead and start a business on some idea which doesn't seem to you to be of such moment or magnitude, to warrant a patent. And then 5 years later, 3 years later, out comes this patent which has been buried in the pipeline all this time; you find that your business has to be dismantled and destroyed because it infringes the newly issued patent. To me that is not a sensible system. The shorter you make the time when the application is kept in the dark, the smaller is the scope of the risk that you are walking onto a landmine while you are running a business. The bill provides protection to the inventor for early disclosure but of modest character; it seems to me it ought to make a real contribution in the direction of protecting the public against this kind of risk.

The next item is how to reduce the expense of obtaining and litigating the patent. We have a number of recommendations in that field. One is recommendation No. 5, reflected in sections 111 and 116, which enables for instance, the assignee of the invention to file. Thus, you don't have to go searching for the inventor before you can file. Before the patent issues it is straightened out; but you don't have that initial delay and expense and sometimes the holdup. Then, of course, the public citation period to which I have already referred, makes it possible to bring to the surface prior art of which the examiner was unaware. That enables the inventor to revise his claim and to bring it into line with the prior art and perhaps save his patent and surely reduce the expense which would otherwise be involved in a full-scale infringement or declaratory judgment litigation.

Recommendation No. 15, reflected in section 257, provides a kind of low-cost declaratory judgment action inside the Patent Office. Under defined circumstances it permits a cancellation of a patent if there is brought to the attention of the Patent Office within a short period of time, I think 3 years, prior art which shows that the patent was issued when it should not have been. And, here too, the advantage to the inventor is that it gives him another chance of revising and

retaining a narrower claim; whereas if it had to be done in the courts it would be too late and surely more expensive.

Recommendation No. 23, which is reflected in section 294, provides that once a patent is found invalid in one action it is then invalid everywhere. There has been some criticism of that. At the present time, of course, you can sue in the first circuit, you can sue another defendant in the second circuit, and you can go through every circuit in the country. Why that should be permitted is rather difficult to explain, except that it gives the inventor 10 chances. The real defendant is always the same fellow; he is the fellow who is manufacturing the accused product; but the patent owner can sue for infringement of his patent every store or user in each of the several circuits. Each time, of course, the manufacturer of the product has to pick up the tab for defending. Under the bill all this is changed. Once a patentee has been licked, he stays licked. It would be nice if we could also declare that once declared valid it is beyond challenge but the Constitution would stand in the way. You cannot deprive a litigant of his day in court.

Now about the international aspects of the bill. I said that one of the questions we considered was, What can we do with the patent system to advance our international goals? On that subject I want to say one preliminary thing. We did, in the report, recommend a number of changes where we thought it would be good practice to harmonize American practice with predominant world practice. I do not think we ever did it in any case where we thought that we would be accepting the poorer method in place of the superior method. Harmonization is good in and of itself but not so great a good as to justify abandoning a superior practice. When there are choices that are even-steven, when there is no advantage in one over the other, for instance, whether traffic shall move to the right or traffic shall move to the left, as it does in some countries, then I think most people would agree that a harmonious system is better than a dis-harmonious one.

Now, what do I think are the international goals of the United States in the patent field? I would state them this way. I think the ultimate international goal of the United States is universal peace and therefore anything that contributes to that, furthers the international goal of the United States. And, therefore, in the patent field, it ought to stimulate inventive capacity around the globe, and to promote the widespread dissemination of technology for the enrichment of human life everywhere, facilitate investment and exploitation of technology throughout the world and thereby to lift the standard of living of people everywhere, and to contribute to world peace by improving cooperative relationships and constructing new ones that will serve not only international economic needs but also mutual understanding among nations.

I spoke about the so-called universal patent. Maybe I am being an idealist in this respect. It seems to me a perfectly appropriate time for us to say that the long-range target of all international action should be the establishment of a universal patent, valid and recognized throughout the world, issued in the light of, and as inventive over the known art of the whole world, and obtained on a single application, quickly and inexpensive in return for a genuine contribution to the useful arts.

My thought on this whole subject, if I may respectfully submit it, is this. The major premises which underlie our social arrangements, that is, the unspoken consensi of our constitutional system are incompatible with private monopolies. The common law which is part of the legal heritage of our country is allergic to private monopoly. A small segment of the patent fraternity, judging from some of the mail I have received, has, from preoccupation with patents, become unconscious of the exceptional character of patents. To survive in a hostile environment, this system of patent monopolies must justify and rejustify itself. Each patent must justify itself as the quid pro quo, as the reward by the community given in return for a contribution to the community; and the system itself must rejustify itself as a source of motivation for a constantly growing effort to expand and enlarge our technology, to explore new fields and to bring in ever growing abundance of God's bounty for the enhancement of the life of all the people of the earth.

Thank you.

Chairman KASTENMEIER. Thank you Judge Rifkind, for a very enlightening, comprehensive discussion of the Commission's work and views and of your own views.

I just have one or two questions, looking at patents as a nonpractitioner. You stated that there were several areas that the Commission did not go into. You did not go into the issue of Government patent policy; you assumed that the patent system up to the present time, has been faithful to the constitutional mandate; you didn't go into a great deal of detail in your report on certain detailed practices of the Patent Office. What are the areas affecting patents that you really did not consider?

Mr. RIFKIND. There were really quite a number. My memory is not as keen on it now as it should be but we had among the papers available to the Commission and I assume available to you, a long list of problems which—from which we withheld any attention. We abandoned them, either at the first glance or because we could not arrive at any sensible solution or contribution in the area. The whole subject of the relationship of the patent system to the antitrust field, we touched on, but we did not really go into depth in this very important area. There are a number of others of that kind, I am sorry my memory is not very vivid on it right now. I dealt with some other problems in the interval but I think that it can be very readily found.

Chairman KASTENMEIER. As far as Government patent policy is concerned, the commission appropriately suggested that the Congress had already undertaken an evaluation of this. Did the commission consider whether it would be easier or more difficult to tie in any new determination of Government patent policy with the revised patent systems such as you were advocating?

Mr. RIFKIND. I see no reason why the two cannot be meshed very comfortably, no matter which solution the Congress finally adopts. After all, the patent policy problem, the Government patent problem concerns itself with who shall own the patent rights. This bill deals with when patents shall or shall not be granted and how they shall be enforced. The two can be zippered together in almost any system. As to your previous question I want to say, for example, we were unhappy that the patent system should deal with design patents but we did not recommend or explore what alternative protection should be afforded

in the design patent field. We were rather disconcerted by the way the Patent Office has been dealing with plant patents. We thought that it was an inappropriate area for the Patent Office to deal with. We realized a substitute, more directly relevant, was in order, but we did not go into what that should be.

Chairman KASTENMEIER. As far as the duration of the patent is concerned, I think the committee understands why 20 years was settled on. This really isn't a determination that the present duration should be changed but rather that it should be made consistent with the new system. My question is this, was there much thought given as to whether the term should be lengthened or shortened.

Mr. RIFKIND. There was a great deal of discussion. There was considerable debate about whether we should go for the European idea of a petty patent which would be a short duration patent for ideas of modest scope. All of that was explored. Either we did not reach a conclusion thereon or the conclusion is the one that is reflected. We took 17 years as the present system; if you add 3 years for the period of prosecution, it is 20 years. Twenty years happens to be the patent duration in most European countries. We thought there were so many advantages in adopting it, especially the motivation it provided was advantageous that way, that we adopted the 20-year term.

Chairman KASTENMEIER. Recommendation XXIV of the Commission's Report would create civil commissioners to preside over pretrial proceedings. From your own substantial experience at both the bench and the bar, and in view of your own aversion to special courts, are your persuaded that the public interest requires that the patent field be singled out for this special treatment?

Mr. RIFKIND. Well let me give you a two-pronged answer. There was so much pressure for the doing of something which would moderate the cost of patent litigation, that we had to respond to it. Personally, I felt that anybody—and I expressed myself to the effect—who can invent a method by which to reduce the cost of patent litigation ought to get a patent. Such a remedy would be universally applicable to all litigation. My experience is that all litigation has become enormously burdensome and expensive; indeed some of the very advantageous liberation of the rules which has been developed during the past generation and which has served a very great purpose in improving the quality of our judgments has enormously increased the expense of obtaining those judgments. This is a recommendation with respect to patent practice which is equally easily available for every other field, and indeed occasionally, of course, courts do appoint masters to preside at pretrial proceedings. We could not make a recommendation universally applicable because we thought that would be beyond the proper scope of our assignment. So we did recommend that for patent litigation there be Commissioners who would preside at these pretrial hearings and thereby shorten them, furnish rulings more quickly and so shorten the extraordinary lengths to which they now go.

Chairman KASTENMEIER. Judge Rifkind, recommendation No. XXII of the Commission's report, would have written into the statute a formulation of the so-called rules of reason as a guide in determining issues of patent abuse. The bill before us does not follow this recommendation. Would you comment upon that exclusion?

Mr. RIFKIND. This is one of the areas with respect to which I said that I had very small, if any, expertise. My own private view, and perhaps I am being disloyal to my Commission, that this is an area which requires attention but that we did not have the time to go into it in sufficient depth for us really to make a first-rate recommendation. I think having it here is good, because it draws attention to it. Not having it in the bill is also good because at this time it is not ripe, in my judgment, for translation into legislative form. You have two systems, the patent system and the antitrust system, which are compatible if carefully put together and yet they appear to have points of conflict. It is true that in recent years every time you want to enforce a patent, you are confronted with an antitrust counterclaim; it has become additionally expensive by reason thereof. You have got to get expensive counsel, because not many lawyers go into that field. It needs attention, Mr. Chairman, serious attention, but we did not have on our Commission a representative from the Department of Justice or the antitrust division as we did from other agencies. So that we really did not have the opportunity, in our debate, to clash ideas with those whose function it is to serve the antitrust policy of the United States. There was a lot of feeling about this and the Commission did vote it but I think it is really an invitation for further study rather than capable of being translated into immediate legislative policy.

Chairman KASTENMEIER. Thank you.

Mr. Edwards?

Mr. EDWARDS. Judge Rifkind, I found your testimony very enlightening and, better still, enlightened, and I thank you for coming. I have one short question, Mr. Chairman. If the bill is passed, generally in its present form, do you think its effect would be to improve the competitive situation of the little man as against the large corporation?

Mr. RIFKIND. I think it would. I think there are a number of provisions here which would serve the interest of the small businessman and the independent inventor. I'll go so far as to suggest to you Mr. Edwards, that if you think about it deeply enough you will come to the conclusion that it is possible that the really great aggregations, the Du Pont's, the IBM's dont' need patent protection. They are running so far ahead that they can take advantage of their very momentum to have competitive advantage. The patent system is essentially desirable from the point of view of the small businessman.

Mr. EDWARDS. Thank you.

Chairman KASTENMEIER. Mr. Hutchinson?

Mr. HUTCHINSON. Judge, I too want to state to you that I appreciate very much your discussion this morning. As you know, no member of this committee, at this time at least, claims to have any expertise in this field of patents. We are here to become informed. Your statements have been very helpful to me.

Mr. RIFKIND. Thank you.

Mr. HUTHINSON. I do have a couple of questions which probably will simply exhibit my present general ignorance on the subject. You talked about under the present system there are a good many patent applications which remain hidden in the pipelines for 2 or 3 years and nobody knows much about them. But all of my life I have seen things on which

there has been a little notice—"U.S. Pat. pending." Now I take it that this is a situation where someone files an application for a patent?

Mr. RIFKIND. That's right. The patent has not been granted but he publishes to the world that he has made an application for the patent.

Mr. HUTCHINSON. There must be other situations though where the inventor chooses not to utilize his patent until it is granted. Is that the situation?

Mr. RIFKIND. The fact is a simple one. You may have filed an application for a patent, then actually manufacture and put such a notice on your product. To that extent it becomes disclosed. During that period anybody could use it without liability but at least he knows that when the patent is issued he is in trouble.

Mr. HUTCHINSON. Oh, he could use it.

Mr. RIFKIND. Oh, yes; without liability. Under the present law that is my understanding of it. But a great many applications, the great bulk of the applications remain in the dark, unpublished in this pipeline because either the owner of that invention has not found the finances to exploit it or it isn't ripe yet for public exploration; or for whatever reason the inventor wants to defer its exploitation.

Mr. HUTCHINSON. Or he doesn't want to disclose it?

Mr. RIFKIND. Yes; or he does not want to disclose it. I would say, and I am guessing now, that numerically the number of those that actually exploit are but a small fraction of all the applications which are in the pipeline.

Mr. HUTCHINSON. Thank you Judge. Now the only other question I have, if you haven't already answered it, is this: As between these two available routes of appeal up through the Court of Patent Appeals or up through the district court, did the Commission discover relatively which court is more frequently used? Do most of these things go up in one court or the other?

Mr. RIFKIND. Mr. Hutchinson, I have only hearsay. I can only tell you the hearsay I have heard. I have never appeared in the Court of Patent Appeals; I don't think I have. The impression that I have got from speaking to the professionals that appeared before the Commission is that, generally speaking, the disappointed inventor will get a warmer reception in the Court of Patent Appeals than he would in the district court. That may be all wrong. I am not an authority for that proposition, but I got that impression from listening to the discussions at the Commission.

Mr. HUTCHINSON. As to the challenger of a patent, the man who says your patent is no good, I am going to sue you, what about him?

Mr. RIFKIND. He doesn't go there at all.

Mr. HUTCHINSON. Oh, he has to go to the district court. He can't go into the Court of Patent Appeals?

Mr. RIFKIND. Oh, no. He has to go through one of the district courts of the United States.

Mr. HUTCHINSON. Thank you, Judge.

Chairman KASTENMEIER. If there are no other questions, the committee again desires to express its thanks to you for coming, Judge Rifkind.

Now the committee would like to call Mr. Philip F. Zeidman, General Counsel of the Small Business Administration.

Mr. Zeidman, we understand Eugene Davidson, Assistant General Counsel, is also here. Gentlemen, welcome to the committee. The committee has your statement, Mr. Zeidman, and if you would like to read it, you may proceed.

STATEMENT OF PHILIP F. ZEIDMAN, GENERAL COUNSEL, SMALL BUSINESS ADMINISTRATION

Mr. ZEIDMAN. Very well, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity to apepar before you today on behalf of the Small Business Administration, in support of H.R. 5924, the Patent Reform Act of 1967. The bill would make extensive modifications in the U.S. patent system in order to improve the effectiveness of its operation in today's rapidly changing technology.

As you know, the bill is largely the product of the recommendations of the President's Commission on the Patent System, which was appointed to study ways to strengthen and improve the system in light of modern needs. President Johnson noted when he transmitted this measure to the Congress, that its primary aims are, first, to raise the quality and reliability of U.S. patents; second, to reduce the time and expense of obtaining and protecting a patent; and third, to speed public disclosure of scientific and technological information.

While the Small Business Administration is by no means appearing in the role of a patent law expert, it seems clear to us that H.R. 5924 would be very helpful in achieving these beneficial purposes. The Small Business Administration was represented on the President's Commission, first, by Administrator Eugene P. Foley, and subsequently by our present Administrator, Bernard L. Boutin and in both cases by the agency's designee, Assistant General Counsel Eugene J. Davidson, who accompanies me here today. The Small Business Administration generally endorses the findings and recommendations of the Commission incorporated in the bill. I am aware that previous witnesses have explained the measure in detail and have emphasized its importance to the improved operation of our patent system and generally to healthy economic progress and growth. SBA's special interest and focus is on the importance of the bill to small business, and my discussion is, therefore, directed to the major effects of the measure on small concerns.

Turning first to the general question of the importance of the patent system to small business. It might initially be wondered what benefits small business can receive today from the patent system. One often hears it said that important inventions must be the product of large and wealthy enterprises, that small business does not have the capital or know-how to develop and market new inventions, and that when a small firm does get a patent, it cannot afford to enforce it against infringers.

Before discussing these matters regarding patent development by small firms, it should be noted that even when small business is not the patent holder, important benefits can flow to it from the patent system. Among these are the general growth of the economy which derives from technological improvements; the more direct benefits which small concerns may obtain as suppliers, customers, or licensees of pat-

ent holders; and the opportunities for alert small firms to utilize the information disclosed by patents in connection with their own innovation and invention outside the bounds of the patent.

The contention that only large firms can invent in today's complex and rapidly changing technology is not supported by the data and by the studies that have been made on this point. For example, and I give only a very few examples, a January 1967 report to the Secretary of Commerce by an advisory panel on invention and innovation concluded that "independent inventors and small firms are responsible for an important part of our inventive progress" and that "small technologically based companies are responsible for a remarkable percentage of the important inventions and innovations of this century." The panel based its conclusion on a number of studies, including perhaps, most prominently, the significant and interesting book by Prof. J. Jewkes, D. Sawers, and R. Stillerman, "The Sources of Invention." That book showed that out of 61 important inventions and innovations of the 20th century, over half of them stemmed from independent inventors or small firms. Among these products of the ingenuity of small firms and independent inventors are the mercury dry cell, air conditioning, power steering, FM radio, vacuum tubes, penicillin and streptomycin, and DDT.

Another report, in the April 1966 Digest of the Patent, Trademark, and Copyright Research Institute of the George Washington University, notes that the number of independent inventors was estimated at 225,000, and that even in large companies in various industries about two-thirds of the recently issued patents were contributed by single inventors. Such data, and SBA's own experience, strongly support the conclusion that small concerns can continue to be an important source of inventions.

While of course patents alone are not enough for a small concern to be successful—sufficient capital and good management are always necessary—and I should add at this point that SBA's own program takes these needs into consideration in the case of small businesses seeking or holding patents—this does not mean that inventions cannot be developed and marketed by small firms. Patent protection is frequently a major element enabling small firms to raise equity and debt financing, and capable management is often available in these small concerns. Moreover, it appears that a small business which is heavily dependent on the successful exploitation of one or a few patents in many cases would be more likely to vigorously pursue their development and market potential than a large firm which may have numerous other business opportunities and may therefore choose not to develop certain of its inventions. Many instances of successful economic implementation of their patents by small businesses have come to the attention of the SBA. Outstanding examples of small firms which have grown into large public corporations through the development of an invention include the Xerox Co. and the Polaroid Co. It is clear then that patents are a valuable incentive and asset to many small firms. I was particularly interested in Judge Rifkind's comment that in his judgment and final analysis the patent system is more important to small firms and the independent inventor than to large national complexes.

Turning to the importance of the bill itself to small businesses we must concede that nevertheless, the question of whether a particular small firm which has an invention will be able to utilize the patent system effectively under existing law is frequently a real problem to that concern. Factors which can severely limit the value of the system to small concerns include lengthy delays in obtaining patents, uncertainty as to the validity of the patent which is obtained, and the costs and problems of interference proceedings and infringement litigation. We believe that the provisions of H.R. 5924 would greatly aid in making the patent system more efficient and more useful to small business concerns, and that the measure would thus promote technological invention, innovation, and development by small firms.

As I indicated earlier, both research-minded small concerns and other small firms can benefit from an improved patent system. Absent a patent system, we would have an industrial society which has been described as a "cesspool of secrecy—an industrial environment filled with spies, an environment in which the true scientist would be embarrassed to participate because he could not use freely what he had learned." The bill would encourage early filing and early disclosure of patent applications; would aid in the issuance of valid patents and the denial of unsound applications; and would provide simpler, less expensive procedures to test validity and infringement. All these benefits, we believe, would be particularly helpful to small firms.

I shall not review the detailed provisions which would accomplish these ends, since previous witnesses have fully explained them. But I would like to comment briefly on what is clearly the chief feature of the bill, its first-to-file provision.

This provision is the heart of the bill. In effect, as to competing claims for a patent on the same invention it changes the rule from a first-to-invent rule (with all its attendant complexities and uncertainties) to a first-to-file rule. This has the advantage of a simpler, clearer test as to who is entitled to the patent. Of course, the new rule would thus make easier both obtaining and enforcing a valid patent. In addition, the new rule (in conjunction with other provisions of the bill) would serve the important public purpose of prompt filing and disclosure of inventions.

On balance, we believe that in most cases this prompt filing requirement would not present serious problems for small concerns. Not infrequently the present approach of a small concern to the patent system is as though the first-to-file rule already governed. This rule would also have the benefit of eliminating the need for elaborate recordkeeping—a need which is of particular concern to small businesses. Small concerns too often do not have the knowledge of their larger and more sophisticated competitors as to the ground rules determining which records will be effective in proving prior inventorship and which will not qualify.

Of particular importance to small concerns is the provision the bill makes for a preliminary application, which would be an informal description of the invention which could be filed so as to secure an early filing date. The applicant would then have a year to perfect his claim by filing the complete formal application. We note that the Patent Office has indicated that it believes short forms can be de-

veloped for this preliminary application. Such forms should allow as uncomplicated descriptions as possible in providing for disclosure of the features of the invention. The preliminary application would also require only a nominal filing fee, which would be a significant benefit to small concerns who may wish to establish an early filing date, but who are not ready to pay substantial fees for preparation and filing of a formal patent application.

There is one additional matter which we believe may warrant particular exploration by the committee from the viewpoint of its effect upon small business.

Under the present law, an inventor is entitled to a patent even though there was public use or sale or public disclosure of the invention before an application for the patent was filed, provided such public use did not antedate the application by more than 1 year. The Commission's Report and the bill make no provision for a similar grace period. The Commission's first recommendation which is reflected in section 102 of the bill states: "Prior art shall comprise any information, known to the public, or made available to the public by means of disclosure in tangible form or by use or placing on sale, anywhere in the world, prior to the effective filing date of the application. A disclosure in a U.S. patent or published complete application shall constitute prior art as of its effective (United States or foreign) filing date." Thus, the Commission's Report and the bill would abolish the existing grace period under today's law.

The Commission, however, recognized the need for a technique whereby the inventor could seek support of or test his invention and whereby the scientific community could engage in discussions of new discoveries, before completing application filing. It, therefore, recommended the preliminary application as a substitute for the grace period. As noted, the preliminary application concept is contained in the bill, and it is a valuable addition to the patent system. But, in order that small concerns and independent inventors may effectively experiment, market test, and otherwise determine whether they should file patent applications, the committee may wish to consider a personal grace period which would permit the inventor a period of time during which he may use or disclose his invention without being barred from obtaining a patent.

In conclusion and summary, Mr. Chairman and members of the committee, the Small Business Administration strongly supports H.R. 5924. We believe it would strengthen the patent system and increase its usefulness to small business and the economy. I would like to stress that the Small Business Administration is closely following the information and views submitted at these hearings. We would be happy of course to attempt to provide the committee with any additional comments or data within our knowledge on what might be called the small business aspects of the bill.

Mr. Chairman, that completes my prepared statement; however, Mr. Davidson or I would be happy to attempt to answer any questions for the record that you wish to submit to us.

Chairman KASTENMEIER. Mr. Zeidman, to restate your presentation, you do support the bill before the committee except insofar as it fails to include a grace period, and there you have a modified recommendation; is that correct?

Mr. ZEIDMAN. I would not say "except." We endorse the bill. We also suggested, with respect to the bill, that you may wish to consider a personal grace period as an additional provision.

Chairman KASTENMEIER. Are there any exceptions or additions to this present bill that you would recommend?

Mr. ZEIDMAN. Mr. Chairman, on a matter as complex and as interwoven as the Commission report on this bill, there are areas in which individuals feel more strongly than in other areas. And in some cases, particularly in view of the large nature of the small business community, there are areas in which there have been some conflicts. But on balance we support the Commission report and we strongly endorse the bill in its present form.

Chairman KASTENMEIER. I take it your views not only reflect the views of the small inventor, but also the views of the small businessman who perhaps wants to become a licensee. So on balance you are considering both the holder of the patent and the user of the patent, the subsequent licensee?

Mr. ZEIDMAN. We have sought to represent the views of small businessmen who fall in both those categories and others as well; which is a large job, but we will say that we have tried to accommodate those interests.

Chairman KASTENMEIER. Generally, how do you react to the 20-year term? Do you prefer a longer or a shorter term balancing all these equities and interests?

Mr. ZEIDMAN. On balance we believe that the existing 17-year term from patent issuance makes sense, and the 20-year term makes sense if the term is to run from application filing. We support that provision of the bill.

Chairman KASTENMEIER. Could a personal grace period be included without losing the benefits that you get from moving over from the first-to-invent to the first-to-file concept? Do you lose some of the benefits?

Mr. ZEIDMAN. We believe that a personal grace period of a sort which was suggested for study and consideration could be accommodated without losing significant benefit from the proposed law. But I do think this requires study by the committee and I think you may wish to obtain the views of other groups before you decide. We will be following that testimony with interest, as well.

Chairman KASTENMEIER. On page 2 of your statement summarizing the benefits to small businesses, you speak of opportunities for alert small firms to utilize the information disclosed by patents in connection with their own innovation and invention outside the bounds of the patent. Would you enlarge upon that; what are these opportunities?

Mr. ZEIDMAN. Well, we believe much as Judge Rifkind noted; many large firms today are pretty well able to pursue their own interests and needs without the benefit of a system such as the patent system. They have the capability, they have the resources, they have the knowledge of what is going on in their fields of endeavor. It is much more difficult for the small firm to do that, and to the extent to which the patent system facilitates that by making information available, the patent system helps them. The proposed changes in the bill would increase these benefits through more rapid publication of information and more rapid disclosure of technological innovation. We believe therefore that a small firm which can build upon or around existing invention and

innovation is benefited from today's patent system. Those benefits would be increased by the legislation before you.

Chairman KASTENMEIER. Thank you, Mr. Zeidman.

Mr. EDWARDS. It seems to me that what you are suggesting, regarding the personal grace period, could be regarded as a return to the first-to-invent system.

Mr. ZEIDMAN. No, Mr. Chairman; it is not intended as a return to the first to invent. It is suggested that the committee may wish to consider whether the benefits of existing grace period would be adequately taken care of by the preliminary application. A good deal of the answer to that question, of course, would depend upon the nature of the requirement for the preliminary application. It is quite possible that the preliminary application system would take care of the need to test and look more carefully into the potentiality of the product, which the grace period provides today. We are simply suggesting that the committee may wish to study whether the preliminary application system would adequately fill that need—a need, which we believe, is particularly important for a small firm.

Mr. EDWARDS. Thank you.

Mr. HUTCHINSON. Mr. Zeidman, how long should this grace period be?

Mr. ZEIDMAN. Well we don't suggest in our statement how long that period should be. I have heard suggestions ranging from 3 months to 6 months to a year. I would not—we are not suggesting a very lengthy personal grace period and we are not necessarily endorsing such. We are simply saying that there is such a period of time during which a small inventor may very well need to market test his product and to give further exploration to it and to experiment with it. And depending upon the nature of the preliminary application which is required, he may not be adequately taken care of unless there is some provision in that respect.

Mr. HUTCHINSON. Would this period of time, this grace period, run before his preliminary application was filed?

Mr. ZIEDMAN. Well Mr. Hutchinson if the preliminary application were indeed the short form which has been suggested it would be, then he could utilize that period between the preliminary application and the filing of the complete application in order to experiment, market test and so forth. If on the other hand, the preliminary application is required to be in effect the equivalent of a complete application, then there may very well be a need prior to that during which he can effectively experiment and market test. I might ask Mr. Davidson if he would like to comment further on this point.

Mr. DAVIDSON. It could, but if I may suggest sir, the grace period would not be a return to the first-to-invent rule because it would be personal to the inventor and the disclosure which the inventor would make during this grace period would bar the rest of the world.

Mr. EDWARDS. May I interrupt at the moment Mr. Hutchinson?

Mr. HUTCHINSON. Yes.

Mr. EDWARDS. Wouldn't you be getting back into the same problems of proof that the judge was referring to, little notebooks as to whose grace periods were being utilized? You may have three or four grace periods going on throughout the country and each applicant would say his was first?

Mr. DAVIDSON. No, each inventor's disclosure before application filing would bar the other inventors.

Mr. EDWARDS. But you are getting back into that same burden of proof.

Mr. DAVIDSON. That does not follow, sir. If I may illustrate. A invents on Monday, B invents on Tuesday. A makes the disclosure, or publicly sells his invention on Wednesday. B does it on Thursday. They both file either preliminary applications or complete applications on Friday. It is immaterial which type application is filed. Neither one is entitled to the patent because A's Wednesday disclosure would bar B and B's Thursday disclosure would bar A. The only time the grace period would have any applicability is where there was no other public disclosure intervening before the filing of either the preliminary application or the complete application whichever came first.

Mr. EDWARDS. Thank you.

Mr. HUTCHINSON. I wonder if you would care to respond as to what you think a practical situation would be, even if we had the most simple kind of preliminary application required such as a short form. Of course it would have to be some kind of description of the claimed invention on that preliminary application and even if it were the shortest form, don't you suppose as a practical matter the small inventor or the small businessman would feel it necessary to employ legal counsel in order to assist him in the preparation of even a preliminary application?

Mr. ZEIDMAN. Congressman, that depends upon the form of preliminary application which would be required. It has been suggested that it could be simply a speech, or a letter would take care of it. On the other hand, at the other extreme it has been suggested that it could be virtually the equivalent of a complete application. I must tell you candidly that we have been watching this development and will continue to do so with regard to the preliminary application requirements. I am certainly hopeful that it would not be necessary for a small inventor to always require a patent attorney.

Mr. HUTCHINSON. I should suppose that it would depend too, upon the inventor. Some inventors would feel that they could adequately express their ideas in writing without assistance but I feel that a great many of them, no matter how simple you made it, would feel that it was necessary in their own interest to a fair description of what they claim even on a preliminary form to feel that they would have to employ counsel, I would suppose.

Mr. ZEIDMAN. I don't have any basis for agreeing or disagreeing with you and I would certainly not be surprised if that were the case.

Mr. HUTCHINSON. One last idea I would like to get your reaction to. The 20-year term running from the date of filing would tend to hurry things up in the Patent Office. Do you anticipate that there would be an increase in the number of interested applicants who would begin to blame the Patent Office for delays and call for additional forces of patent examiners? This would be true because this time would all be counted against their effective patent term. What I am suggesting is the possibility that as a result of this change, there would be an increasing amount of pressure upon Congress, to enlarge

the Patent Office staff and that sort of thing. Do you care to respond to that?

Mr. ZEIDMAN. This is a question which perhaps the Patent Office can more appropriately respond to. I would only say that there is already criticism of the Patent Office and of the existing system in regard to delays and I do not believe that the change which has been suggested here could be expected to substantially increase that kind of criticism. Indeed I would hope that some provisions of the bill in regard to expediting procedures, modernizing, studies, and so forth, would indeed increase the present efficiency and speed with which the Patent Office moves.

Mr. HUTCHINSON. Thank you.

Chairman KASTENMEIER. Thank you Mr. Zeidman and Mr. Davidson for your appearance this morning.

The Chair would like to announce that hearings will continue on this bill tomorrow morning at 10 a.m. in this room. At that time we will hear from the following two witnesses: Henry J. Cappello, representing the patent committee of the National Small Business Association, and Mr. J. Rabinow, president of the Rabinow Engineering Division of Control Data Corp.

Until that time the committee stands adjourned.

(Whereupon, at 12:10 p.m., Wednesday, April 26, 1967, the subcommittee hearing in the above-entitled matter was adjourned.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, APRIL 27, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 2226, Rayburn House Office Building, the Honorable Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel; and Donald G. Benn, associate counsel.

Chairman KASTENMEIER. The subcommittee will come to order for the further consideration of H.R. 5924, the Patent Reform Act of 1967, and in this connection the Chair calls as the first witness today Mr. Henry J. Cappello, representing the National Small Business Association and his colleagues whom I shall ask Mr. Cappello to introduce.

STATEMENT OF HENRY J. CAPPELLO FOR THE NATIONAL SMALL BUSINESS ASSOCIATION

Mr. CAPPELLO. Mr. Chairman and members of the subcommittee we appreciate this opportunity to present to the committee our views on H.R. 5924, the Patent Reform Act of 1967. I am Henry J. Cappello, consultant on patent policy to the National Small Business Association. I am also president of Space Recovery Research Center, Inc., of Boca Raton, Fla. With me, on my right, is Mr. J. P. Perry, president of Eastern Rotocraft Co., of Doylestown, Pa., chairman of the NSBA Patent Policy Committee; and on my left, Mr. Roy A. Patton, Jr., president of Multicon Division of Franklin National Investment Corp., Fort Wayne, Ind., a member of the NSBA Patent Policy Committee.

While we do not agree with the report of the President's Commission in its entirety, we strongly support the objectives of the Commission as set out in pages 3 and 4 of the report. Of one thing there can be no doubt, changes are needed. The individual inventor and small businessman no longer derive from the patent system that measure of incentive, encouragement, and protection which promoted our tremendous growth and prosperity during the Industrial Revolution. In today's highly developed technology, the small inventor and businessman continue to make notable contributions to innovation. The Commerce Department Panel on Invention and Innovation, in its report, titled "Technological Innovation, Its Environment and Management," issued January 1967, sets out at page 16 the following findings:

Prof. John Jewkes and others showed that out of 61 important inventions and innovations of the 20th century that were selected for analysis, over half stemmed from independent inventors or small firms.

Prof. Daniel Hamberg of the University of Maryland studied major inventions made during the decade 1946–55 and found that over two-thirds of them resulted from the work of independent inventors and small companies.

Prof. Merton Peck of Harvard studied 149 inventions in aluminum welding, fabricating techniques and aluminum finishing. Major producers account for only one of seven important inventions.

Prof. Hamberg also studied 13 major innovations in the American steel industry. Four came from inventions in European companies, seven from independent inventors, and none from inventions by the American steel companies.

Prof. John Enos of the Massachusetts Institute of Technology studied seven major inventions in the refining and cracking of petroleum. All seven were made by independent inventors. The contributions of large companies were largely in the area of improvement inventions.

Despite general recognition of the contributions of the independent inventor and small businessman, the patent system as constituted and operated today provides very little incentive or protection for them. Their difficulties stem primarily from (1) issuance of patents of questionable value when measured against their ultimate validity or enforceability; (2) excessive costs and delays in obtaining the patents; and (3) the expense of litigation. The small businessman's problems are compounded further by competitive disadvantages implicit in defensive use of patents by big business, and predatory infringement by the Government and Government contractors.

Another factor contributing to the patent problems of the individual inventor and small businessman is the behavior pattern of other interested groups and officials including the patent bar, Department of Commerce, and the Patent Office, and the Antitrust Division of the Department of Justice. All give lip service to the interests of small business, but we suspect that their objectivity is often unintentionally clouded plus the fact that it is always easy to sacrifice the little guy. We do not disparage the contributions of these groups; we suggest, however, that some of their recommendations with respect to H.R. 5924 may not be entirely objective.

The proposed legislation deals with many concepts that are new to U.S. patent law but which have been successfully employed in foreign countries or are in the experimental stage in foreign countries. The conclusions which can be drawn from foreign experience need to be carefully scrutinized because some may be completely inapplicable to U.S. requirements and our overall patent environment.

The interest of the inventors and small businessmen, as the prime innovators in this country, should be, in our opinion, a primary consideration in any revisions of the patent system which are undertaken. Except for the areas which we will discuss, we have no objection to the report of the President's Commission and implementing legislation, H.R. 5924.

Our comments are directed to the major changes proposed in H.R. 5924 and we will submit, prior to the conclusion of these hearings, suggested statutory language for specific perfecting amendments to implement our recommendations.

The first-to-file concept.—This proposed change has considerable merit for the reasons stated by the Commission. In taking a position in support of the first-to-file concept, we disagree with the contention that such a system discriminates against small business. In our view, the present system with its costly and time-consuming interferences and the requirements for witnessed and corroborative records, in many instances give large companies an unwarranted advantage over smaller concerns. While supporting the general principle of first to file, however, we feel that certain safeguards need to be included if this procedure is to serve the needs of small business. In our experience, it is not unusual for a considerable period of time to elapse between initial reduction to practice of an invention, and its refinement to the point that a complete set of claims can be drafted. In the case of the last invention patented by my company involving what appeared to be a simple aerological device, it took approximately 20 months for the inventor to analyze his invention sufficiently to realize it was a useful patentable invention, even though he had worked with it in private practically every day. The description and the working model supplied were sufficient for the patent attorney to draft seven claims (all of which were allowed), but in the period between drafting of the claims and issuance of the patent, a period consuming 2 years, it became obvious that some of the principles of operation had been misunderstood and that some auxiliary improvements could be made to improve the performance of the product and provide additional claims. As a result, a continuation in part was filed. About a month after this, the patent was issued. Subsequent to issue, it was discovered that our company still did not completely understand how or why the device works, and that at least two errors had been made innocently in the original claims. A reissue patent was then applied for. This history of one patent shows clearly that an individual inventor or small company with limited resources needs time to perfect new concepts so that complete and accurate claims can be filed.

We believe that a personal grace period of not less than 6 months, and preferably a year, must be provided for inventors. Furthermore, current practice encompassing continuations, continuations in part, and reissue should be retained in the law.

The concept of a preliminary application is sound only if such preliminary application serves to provide an effective means for the inventor to disclose his invention with some assurance that a reasonable disclosure will satisfy the requirements for the complete application. The language of the proposed legislation, section 120(a)(2), requires, in our opinion, that the preliminary application relating to the invention sought to be patented include "every feature recited in the claims therefor." This is an impossible burden for anyone other than a patent attorney to meet. However, if a personal grace period of 1 year were provided, this would eliminate the necessity for filing of preliminary applications, with all of the difficulties associated therewith. A complete application could be filed within the personal-grace period. This would mean only one trip to the patent lawyer with considerable savings in legal fees.

Some critics of the proposed legislation have suggested that the first-to-file system would induce pirating of inventions and other chicanery to deprive the true inventors of their rights. Our opinion is that section

115 and section 136 of the bill, if properly implemented, would serve to defeat fraudulent filings. However, there is concern as to the manner in which these sections would be implemented. The inference is that an action for fraud and deceit, and/or perjury, would be brought in the U.S. district courts and, under the broad equity powers of the court, a judgment against the fraudulent patentee would then result in a decree requiring the transfer of the patentee's rights to the true inventor—with damages and with fine and imprisonment as additive remedies. The proposed legislation is not clear in this respect. At the very least, the legislative history of the bill should indicate the nature of the remedies intended to be provided.

Early publication is a desirable goal of the patent system. However, there are several useful alternatives to the basic proposal of H.R. 5924 calling for publication in every case within 18 to 24 months of the preliminary application. Some measure of discretion should be permitted the applicant as to the time when publication is made. The applicant should have the right at any time prior to publication to (1) abandon the application and retain the invention in a nondisclosed status; (2) abandon the application and dedicate the nonexamined application to the public; or (3) upon payment of a substantial fee and a showing of good cause, delay publication (but not examination) until the examination is completed and claims are allowed; but in such case, no infringement claim or royalties should be allowed as a result of manufacture of the invention prior to the issuance of the patent, or for any subsequent sale or use of items manufactured prior to issuance of the patent.

The proposed $10 filing fee for preliminary applications is too low. All fees should be set at a level that both encourages legitimate filings and also discourages superfluous or ill-considered filings.

Deferred examination.—We note from Commissioner Brenner's statement to the committee that there is no immediate intent to institute a system of deferred examination, and that the Patent Office, by including provisions authorizing a system of deferred examinations, is merely seeking standby authority. We have no way of judging what the probable effects of such a system might be. Certainly the experience of Holland provides little guidance for the United States. The proposal by Commissioner Brenner to institute such a system with respect to only a few classes of patentable matter at some time in the future, when deemed desirable, seems to be a sound approach. Practical effects of such a system could then be demonstrated without drastically affecting the entire patent system. The grant of such authority should be clearly spelled out and any decision to adopt deferred examinations for general use in the Patent Office should be validated by Congress through the mechanism of a joint resolution or general legislation.

Fees.—We are strongly opposed to any proposal that would permit the Patent Office to determine fee schedules for patent filings. This prerogative of Congress should not be delegated. In our opinion, the holders of large portfolios of patents are reaping the greatest monetary benefits from patents and should, therefore, bear a large proportion of the total fees paid to the Patent Office. We recommend that a graduated structure of fees related to the total number of patents held or filings made, per annum, be incorporated into the fee structure.

Partial payments of issue fees over the life of the patent also are desirable, and these should be graduated to reflect the size of the patent portfolio maintained. This would have a salutary effect in encouraging the dedication to the public of many patents either of small economic value or being maintained for defensive purposes.

Judicial procedures.—The element of high cost of litigation in relation to validity and infringement of patents, both offensive and defensive, is one of the primary problems facing the small manufacturer or small patentee. Present procedures are too cumbersome, too inefficient, and too slow to produce the results needed by the small business community. It is most disappointing that the Commission's report recommended so little to streamline judicial and administrative procedures.

There are now too many forums and too many levels of appeal in the present system. The present system of patent litigation in the U.S. district courts is grossly deficient. The great majority of judges in this court are disinterested in patent law and possess little or no expertise in scientific and technical matters. Considerable time and effort must be spent by the litigants to educate the judges. It often has been said that if a judge understands the technical details of an invention, he will find the patent invalid for obviousness; and, conversely, if he does not understand it, he will find the patent valid. Thwarting of justice by exploiting defects of technical pleading under the common law spurred the adoption of the Federal Rules of Civil Procedure. An equally effective overhauling of judicial procedures affecting the patent system is necessary if we are to have sound decisions based on the merits.

Extended discussions with members of the patent bar and other interested attorneys have demonstrated a reluctance on their part to consider any change looking toward development of a court of patent experts to try patent litigation. They fear this would destroy the adversary system and result in judges who would substitute their technical judgment for the arguments developed by counsel for plaintiff and defendant. We feel that this is a mistaken attitude.

The adversary system can be preserved in a separate specialized patent trial court and better, faster, and less costly decisions can be achieved for the litigants. We recommend establishment of such a court to adjudicate all patent litigation between patentee and infringer with appeal to the Court of Customs and Patent Appeals and the U.S. Supreme Court on certiorari. If there is need for a compromise on this proposition, the same purpose could be achieved within the U.S. district court framework by establishing a patent panel of three district court judges, experienced in patent matters, who would ride circuit in all of the districts to handle a separate patent docket and calendar in each circuit. The use of the proposed Commissioner system would complement this system and reduce tremendously the actual amount of courtroom time spent on patent litigation. In the matter of patent appeals, whether from administrative adjudications in the Patent Office or in civil litigation in the U.S. district courts, we strongly urge that these be heard at the first appellate level by a single patent appeals court, preferably the Court of Customs and Patent Appeals, and that the second level of appeal be the U.S. Supreme Court.

Permitting the prevailing party, in appropriate circumstances, to recover costs of litigation including lawyer's fees is a remedial feature which we support. The legislative history of this provision should reflect fully that its purpose is to permit the courts to award such fees when it is determined that the litigation was undertaken by either party without reasonable grounds or for the purpose of harassment. We believe that no dollar limitation on the amount of recovery of costs and attorney's fees should be provided—$1,000 is obviously too low—and we recommend that section 257(d) be amended by striking the words, "not to exceed a total of $1,000." We further recommend that section 285 of the bill be amended by deleting the words "in exceptional cases," and adding, "where the court determines that the bringing or defense of the suit was undertaken not in good faith or without probable cause."

Delays in marketing due to Government regulation.—Section 154(c) of H.R. 5924 provides for an increase in the term of a patent when its issuance is delayed for national security reasons. However, there are other Government activities which affect the patentee's ability to derive reasonable profits from marketing of patentable inventions. In particular, regulatory activities of agencies such as the Food and Drug Administration, Federal Aviation Agency, the U.S. Coast Guard, and a wide variety of other Federal, State, and local bodies cause many products to be banned from public sale or use until a license or other approval is obtained. We recommend that in such cases the patentee should have a minimum period of 10 years' patent protection from the first grant of such license or approval by any Government agency and that appropriate changes to the language of section 154 be adopted.

Harmonizing U.S. patent system with proposed international patent system.—Although we support the concept of a universal or multination patent system, top priority should be given to building maximum strength into the U.S. patent system, upgrading it to its full potential, without regard to the requirements or procedures of any foreign country. From the standpoint of costs to small business, a sound, enforceable universal patent is very desirable; but, since our larger interests are concerned with the marketing of products in the United States, the effectiveness and value of patents in our domestic economy is of considerably more importance. Instead of an international system, we suggest as a practical approach to the problem, that a multilateral system of agreements between countries having common political, economic, and social institutions should first be established. No recommendation of the President's Commission should be adopted merely because it would further the concept of an international patent system and any justification for legislation based on this premise should be discarded by the Congress.

Antitrust implications.—While real invention is still by and large the province of individual inventors and small business, these inventions have less and less opportunity to come to fruition in the hands of small business.

U.S. Government patent policy needs to be more positively oriented toward encouraging the success and proliferation of small and medium business in the consumer goods fields. Fiscal, tax, antitrust, and patent policies as well as the enforcement attitudes of the Govern-

ment agencies administering these areas of the law are all closely interrelated, and need to be strengthened in the interest of small business. Whenever remedial legislation appears, nominally directed against big business, small business almost inevitably bears the brunt of its effects. The application of antitrust concepts to the "patent monopoly" is, in our opinion, one of the classic examples of this rule. Attempts to remedy abuses of improper use of patents have generally resulted in the long run in cutting down the rights of the individual and small business but with no noticeable impact upon big business. For this reason we have some fears that even the changes and reforms of the patent system now being proposed may lead eventually to corrosion of the rights of the smalls.

Improper use of patents through patent pools and cross-licensing, in concert with raw economic power, has placed out of bounds many areas of business where small business properly should be competing. The best hope for creative small business is that their rights be strengthened under the patent laws and that the antitrust laws be rigidly enforced.

Recommendations contained in the report of the Attorney General's National Committee To Study the Antitrust Laws (1955) with respect to compulsory licensing of interchanged and pooled patents have never been implemented either by legislation or enforcement policy. These pooled patents, together with large defensive patent portfolios and the threat of litigation, cause much concern to creative small businessmen. I might add parenthetically that, under the first-to-file system, companies seeking merely to establish their right to use an invention will be encouraged to publish rather than patent the invention. This should serve to reduce the defensive patent portfolios of big businesses.

We concur in the analysis of the antitrust patent situation in recommendation XXII of the President's Commission Report. We recommend that implementing language be incorporated in H.R. 5924.

Government infringement of private patents.—It is most disappointing that the President's Commission failed to study or to make recommendations regarding small business' No. 1 patent problem, government infringement of privately developed patents. This has been a matter of concern to the Congress and the procuring agencies since the Comptroller General's decision in 1957. This decision required infringement of private patents (under 28 U.S.C. 1498) in cases of advertised procurements for patented articles awarded to unlicensed sources. Many attempts have been made to obtain concurrence between procurement agencies regarding an appropriate mechanism to resolve the problem of infringement. We believe an acceptable compromise has been achieved which is now before Congress—H.R. 2898—introduced by Congressman Morris of New Mexico. We recommend that this bill be incorporated into the patent reform bill H.R. 5924. It is our understanding that H.R. 2898 was developed in cooperation with the Bureau of the Budget and is acceptable to the executive branch. Since the provisions of H.R. 2898 relate to general patent administration, it is appropriate to include them in H.R. 5924.

Improving the quality of patents.—Provisions of the legislation directed to improvement of the quality of issued patents include section 137, which would place on the applicant the burden of persuading the

Patent Office that a claim is allowable, and section 148, which would provide a presumption of correctness on claims refused by both the patent examiner and a three-member panel of the Patent Office Board of Appeals. These burdens on the applicant, properly administered, will tend to improve the quality of issued patents.

The availability of appeal from these decisions should be limited, in our opinion, to the Court of Customs and Patent Appeals. We see no real purpose to be served by the present alternative appeal by civil action in the U.S. District Court for the District of Columbia. We believe that an appropriate appeals procedure for all administrative determinations should be limited to: (1) An ex parte presentation of evidence to the examiner (rulemaker); (2) an adversary procedure before an administrative appeals board; (3) a judicial review on the record, with remand available for taking of additional evidence where the evidence is incomplete or unsatisfactory; and (4) a final appeal to the U.S. Supreme Court.

We believe these enumerated limitations represent the optimum procedure for review of technical admnistrative decisions and would provide the best quality of decision with minimum expense to the Government and the individual parties litigant.

One of the greatest costs in prosecuting patent claims before the Court of Customs and Patent Appeals has been the requirement for printing of a voluminous record including cited references such as prior patents. The court, in line with current practice in many courts of appeal, should be required to accept typewritten copies of the record, copies of the printed patents cited, and files of the Patent Office or copies thereof.

Computer programs.—We disagree with the recommendation of the President's Commission that computer programs should not be patentable. The line of demarcation between computer hardware and software is becoming increasingly difficult to define. A body of ad hoc determinations should be developed by the Patent Office which, on an evolutonary basis, will provide criteria for patenting those aspects of computer programing traditionally associated with patentable inventions. Comparable expertise has been developed by the Patent Office in other new areas of technology.

Protection for individual inventors.—We urge that study be given to the recommendation of the American Society of Inventors that some form of general insurance protection be made available by the Government for nonassigned patents, to cover attorney's fees, and other costs incident to litigation involving validity or infringement of the patent. It is estimated that the cost of $100,000 of insurance would be about $50 per year per patent or $500 for the life of the patent. We are advised that the average cost for litigating a patent is about $50,000. Perhaps a worthwhile social and economic purpose would be achieved if the patentee were required to bear the first $500 of such expense plus 10 percent of the balance, if he does not prevail in the litigation.

Another recommendation by the society worthy of study is that captive inventors be protected by discouraging outright assignment of their inventions. It is suggested by the society that the patent laws be amended to require all inventions to be licensed, rather than assigned, at minimum royalties of one-half of 1 percent for captive inventors and 3 percent for independent inventors. Of course, the economic value

of an invention introduced into a complex manufacturing and marketing operation is difficult to assess, but assessment is not impossible. Such a system in Germany has operated to benefit substantially many deserving inventors without unduly handicapping industry.

Conclusions.—Our hope is that this committee and the Congress will proceed with deliberate speed to enact changes in the patent laws to correct the present deplorable state of affairs relating to the interests of the inventor and small business. Without reform, there will be increasing deterioration of incentive. It is incentive that triggers the flow of creation and enriches our Nation and its people.

Chairman KASTENMEIER. Thank you, Mr. Cappello, for your very enlightening and effective presentation. It stands in some respect in contrast with Judge Rifkind's analysis yesterday, particularly with respect to the comparative aspects of the district court and specialized patent courts. I would first like to ask you something of your organization, the National Small Business Association, something about its membership and its aims and objectives. Can you tell us about that?

Mr. CAPPELLO. Well, I do not have a great deal of detailed information on the internal organization of the association since I am only a consultant. We represent basically about 35,000 small businessmen, many of whom are creative small businessmen engaged in manufacture, invention, and so forth.

Chairman KASTENMEIER. Essentially this is not an organization of retail businesses?

Mr. CAPPELLO. We have a number of retail businesses. We represent the broad spectrum of small business, as far as I can determine. I might state, parenthetically, that we recognize that there are many diverse interests in the small business community, particularly in the area of patent exploitation and patents in general. Many small businessmen, of course, have no use for patents. Our position is based on what we regard as the fundamental justification for the patent system and the national interest in connection with patents. Therefore, we do not speak for people who might wish to be allowed to infringe any and all patents or who might desire to have the patent system eliminated entirely. We do not believe this is socially or economically a desirable situation.

Chairman KASTENMEIER. I note that you will present in due course to the committee some proposed statutory language as amendments to the bill. I appreciate that you might not have that language today. Many of those interested in this field are not necessarily prepared to give final or definitive suggestions as to what changes they might recommend in the bill. I hope that at an early date you will make available to the committee these recommendations.

Mr. CAPPELLO. We recognize the committee does desire specific language. Because of the complexity of the bill, the amount of time that we have had did not permit us to submit our recommendations as to the language of the amendments at this time. But we will attempt to provide that for the committee.

Chairman KASTENMEIER. As I understand it, you do favor the first-to-file concept but you state that it is necessary to have a personal grace period. Is it your position that that grace period be in lieu of the proposed preliminary application?

Mr. CAPPELLO. We think it could operate in either fashion, but we believe that the personal grace period could serve to eliminate, on the part of most of the small applicants, requirement for filing a preliminary application. With the personal grace period the smaller inventor, small businessman within the 1-year period would be able to present a final, complete application which would serve as the first-to-file application.

Chairman KASTENMEIER. In the example that you cited of your own company, would the 1-year period have been sufficient?

Mr. CAPPELLO. I think it would have, sir, if we had had the opportunity to have filed a continuation-in-part application, and the other means which we now have to amend the orginal application. I think that anything that would cut down the ability of the small inventor or the small business to amend his complete application would be very unfortunate. It would tend to produce filings which are incomplete and probably would not stand the test of litigation, and claims which would really not cover the entire scope of the invention.

Chairman KASTENMEIER. Let me ask a slightly different question. At least one witness yesterday suggested that a standardized simple preliminary application could be worked out. However, I gather it is your position that the language of the bill would not permit such a simple procedure; is that correct?

Mr. CAPPELLO. Yes. I think this language requires a complete application to be filed and I believe it requires the work of a patent attorney to file such a preliminary application. I can't see that the preliminary and complete application could significantly differ.

Chairman KASTENMEIER. If it does require a patent attorney, that would discourage capricious preliminary application filing, would it not?

Mr. CAPPELLO. Well I think that the people who wish to incorporate prior art into the patent system by filing preliminary applications which have no real merit would be discouraged by a high fee. I think a $10 fee would encourage anyone and everyone to file applications regardless of whether they intended to apply ultimately for a patent. I think people refer to these as trash filings and I believe an appropriate fee level would tend to reduce this.

Chairman KASTENMEIER. Yet, paradoxically, Mr. Cappello, you seem to recommend what is really the old maintenance fee system, which would defer some fees over the life of the patent.

Mr. CAPPELLO. Well, I am not talking about the deferment of fees; I am not talking about a particular level of fees. I am talking about the concept of spreading out the cost of the fees and the cost of running the Patent Office over those who are most able to bear the cost; that is those who are receiving an economic return from the patents which they are exploiting. I think one of the big shortcomings from the standpoint of a small man is that the fee structure may be too high (even that contemplated now for filings) and that the small patent owner who may have one, ten, or a hundred patents does not receive any substantial return from this stable of patents compared with the large patent holder who may have a thousand or more patents. Those people whose businesses are basically patent-oriented and who have a large number of patents should bear a large proportion of the total costs of the Patent Office.

Chairman KASTENMEIER. Just one other question, on the thousand dollar limitation on page 10 on the amount of recovery of costs and attorney's fees, is it your position that small business competitively would do better if the penalty the large corporations would have to pay would be more than minimal?

Mr. CAPPELLO. That's exactly it, Mr. Chairman. We think the small company that goes into litigation in any area in connection with patents has a pretty good idea its patents are sound, or they are not going to engage in it. With the larger companies and their larger resources, $1,000 does not mean very much to them. They can litigate you to death. The $1,000 maximum is practically no maximum as far as they are concerned. The worst that could happen to a small business if he gets tagged with large litigation fees is that he will go out of business. He would probably be out of business anyway.

Chairman KASTENMEIER. H.R. 2898 which you recommend is now before the Government Operations Committee of the House of Representatives and isn't before this committee. Nevertheless, I think it is obviously relevant that you should draw our attention to it.

I appreciate your testimony Mr. Cappello. Mr. Edwards?

Mr. EDWARDS. Thank you Mr. Chairman. Mr. Cappello, the chairman mentioned that you feel that a $10 preliminary filing fee is too low; do you have a figure in mind?

Mr. CAPPELLO. I do not have any particular figure in mind. I merely suggested that this was a low figure. The $10 fee is the figure that I believe Commissioner Brenner suggested would be the fee the Patent Office would contemplate imposing on these filings. I don't think that we are in a position to suggest what an appropriate level would be. All we are saying is that the level should be directed toward reducing spurious filings and toward encouraging legitimate filings, and this level is obviously too low. I don't know what the appropriate level would be. I think this is something that should be considered and that the Patent Office will have to manipulate this within their authority and see that the interest of the public is served thereby.

Mr. EDWARDS. On page 12 of your statement you mentioned that your association had some fears that this bill may lead eventually to the corrosion of the rights of the smalls. Do you feel that the small business community was fairly represented on the Commission?

Mr. CAPPELLO. The small business community was represented basically by the Small Business Administration. There were other persons—there were attorneys and other businessmen—who had had experience with small business problems and who should have been aware of our problems in this area. I think a great deal of compromise was achieved in coming forth with as good a report as was produced. I don't think that the report is primarily directed toward the interests of the small business community. I think it is a balanced approach to the problem. Our comments in general, I think, reflect this. They reflect certain additional things that need to be done for the small business community. I am personally acquainted with at least two of the people who served on this panel and I am sure they did the best they could to get the small business community's point of view across. But I think in the interest of compromise, perhaps some of the small business interests were lost and, in particular, I might point to this

problem of Government infringement upon private patents which has been our primary problem all along.

Mr. EDWARDS. Thank you, Mr. Cappello. Thank you, Mr. Chairman.

Chairman KASTENMEIER. Mr. Poff?

Mr. POFF. May I say I appreciate the testimony of the witness. You have offered us a variety of recommendations which I think the subcommittee might appropriately consider. May I ask you first to turn to page 5 of your testimony and I will ask you first if you are familiar with the testimony which preceded yours?

Mr. CAPPELLO. Yes.

Mr. POFF. You know then that I address myself to the precise question to which you refer in connection with section 120(a)(2). Obviously, I have somewhat the same fears you have. And I request that some clarification of the purport, import, and intent of that language be furnished to this subcommittee. I realize that you have likely not had an opportunity to prepare it—the alternative language, but if you have, would you suggest what it might be at this time?

Mr. CAPPELLO. Well, we felt that "every feature recited in the claims therefor" should be eliminated, and that some language similar to "reasonably related to the claims in the completed application" be substituted. In other words, the disclosures made need to be reasonably related to the claims which are ultimately presented in the complete application.

Mr. POFF. Do you expect that you will have precise language to suggest?

Mr. CAPPELLO. Yes.

Mr. POFF. On page 5, you also identified your organization with the personal grace period of not less than 6 months and preferably a year. A related suggestion was offered by an earlier witness, I believe the President's science adviser, relative to the so-called shop right. Do you have an attitude about that?

Mr. CAPPELLO. I don't think we have formulated a strong position either way. We feel that basically our interest would be served by the personal grace period and I just don't have an answer for that. Did either of you gentlemen have a feeling about that? (Addressing himself to his two colleagues.)

Mr. PERRY. A shop right is usually one in which, as I understand the term, an invention is made and thereafter the invention may be used whether it is patented or not.

Mr. CAPPELLO. May I say something further on that, Mr. Poff? I believe that this really strikes at the concept of first to file and we have discussed this at some length with our members, and we believe the first-to-file concept is salutary; that is, the first person who gets to the Patent Office with a reasonable disclosure should have the right to the invention.

Mr. POFF. Then small business finds no justification for the shop right as a personal defense?

Mr. CAPPELLO. I think that would be our position. If a person sleeps on his rights he should not have shop rights, even though he may be a coinventor. We prefer the element of certainty, as far as the small business community goes, to personal or equitable consideration that may be involved. We are primarily interested in a patent which has value on its face, which will justify our going into business and knowing that we have something that we can rely on.

Mr. POFF. In other words your concern is with the quality and validity of the patent. I am not quite certain that I understand the colloquy which has just taken place concerning the $10 filing fee. I am not quite sure that I understand why an increase in the fee would tend to discourage trash filings by large corporations more than by small corporations.

Mr. CAPPELLO. I think your point is well taken Mr. Poff. I don't think it necessarily will. But I think that obviously a fee as low as $10 would encourage anything and everything to be thrown into the hopper. I am not so sure that even $50 or $100 would discourage a large corporation, but to the extent that anyone is discouraged by fees that are more reasonable in the light of the purposes to be accomplished, I think it would be a salutary thing.

Chairman KASTENMEIER. If the gentlemen would yield—in other words you seek to raise the quality of the preliminary application, you want to see a good quality first application to be made?

Mr. CAPPELLO. That is correct Mr. Chairman.

Mr. POFF. On page 9 you discuss your recommendation for changing in the bill with reference to appellate procedure. You refer to the same subject in a somewhat different context later in your testimony. May I inquire if you intend that the appeal to the Court of Customs and Patent Appeals as that appeals is discussed on page 9 means an appeal on the record only?

Mr. CAPPELLO. Our concept is that regardless of whether the appeal is taken from a trial patent court—whether this be a panel of U.S. district court judges, or a separate patent trial court, or, from the administrative proceedings in the Patent Office—that the Court of Customs and Patent Appeals, sitting in patent matters, should exercise the function that a true appellate tribunal does exercise. That is to review the record of proceedings and not take additional testimony. If the appellate tribunal needs additional testimony that has not been properly obtained, then the case should be remanded with specific instructions to the trial court, or to the administrative tribunal, to provide that type of testimony.

Mr. POFF. In other words, you are proposing that the de novo proceeding in the U.S. District Court of the District of Columbia be eliminated?

Mr. CAPPELLO. I would like to add something further to that if I may. We believe that the Court of Customs and Patent Appeals as presently constituted does not provide the high quality of decisions which they would if they were a true appelate body. This gives some people cause for concern because some of the decisions that are reached now are not on the equivalent level to those achieved in the U.S. court of appeals. Obviously the Court of Customs and Patent Appeals does not have this function now. I believe that if it is given a true appellate function on the first appellate level for patent appeals, the quality of the decisions and the stature of the court will automatically be upgraded. We will get better decisions, we will get uniform decisions, and we will get quick decisions.

Mr. POFF. Your proposal will also eliminate the additional appellate step to the U.S. court of appeals, would it not?

Mr. CAPPELLO. Yes it would.

Mr. POFF. And the appeal would lie directly to the Supreme Court?

Mr. CAPPELLO. That is right.

Mr. POFF. And your concern is that the judges that hear such cases will have some expertise in the field. Yet your proposal does not allow for the possibility that the Associate Justices and the Chief Justice of the Supreme Court may not have such expertise.

Mr. CAPPELLO. Of course, this is the area that Judge Rifkind was addressing yesterday. I think the U.S. Supreme Court is the appropriate area for broad social and economic policy to be incorporated into the decision process. This is why I am not so much concerned with the incorporation of general knowledge into the patent appeals system at the first level. I think their problem is to decide technical problems. Appeals to the Supreme Court are not very likely in patent cases, but that Court would take those cases where there are broad social and economic purposes to be served.

Mr. POFF. On page 10 discussing the award of damages by the court you suggest language which would allow the court to award costs when it "determined that the bringing or defense of the suit was undertaken not in good faith or without probable cause," I think it might be easy in some cases to decide that a case was not brought in good faith or was brought without probable cause. I would think it would be more difficult to make such a decision with respect to the defense of a suit. When a person is sued, he usually responds. Do you think that your language might encourage a defendant who was impecunious to sit on his defense, a defense he might otherwise litigate, if he thought that the judge might assume that his defense was not in good faith and that he would thereby be saddled with additional court costs and costly attorney fees.

Mr. CAPPELLO. I don't really believe so. I think you hit the nail on the head when you say a defendant will inevitably defend a suit and in this case it would be almost impossible to show that his defense was not a meritorious defense. I do believe that there may be some cases, but if I know the courts I think that their exercise of discretion in this area is going to be a rather limited one. And that is one of the reasons why I feel it is important that the legislative history indicate very clearly the purpose of the Congress in enacting this type of legislation. Because if it does not, the judge is inevitably going to say "No, we are not going to allow attorney fees and court costs in these cases." I think that is one of the problems with the language we have now. The words "in exceptional cases" lead to that conclusion, and no court costs and no attorney fees are allowed.

Mr. POFF. Do you think that the purpose you seek might be served as well by comments in the committee report as by language in the statute.

Mr. CAPPELLO. I would prefer both, frankly, Mr. Poff.

Mr. POFF. You have had some experience before the courts before, haven't you?

On page 13, you recommend the inclusion of the Commission's recommendation No. XXII. In testimony before the subcommittee earlier the man responsible for the enforcement of the antitrust laws spoke otherwise about recommendation XXII. I understand you are speaking for small business interests. Would you care to be more

specific about why you think recommendation XXII would promote the interests of small business concerns?

Mr. CAPPELLO. I think that it will promote the interests of small business concerns primarily because their legitimate activity in licensing, cross-licensing, mergers, the whole gamut of tying arrangements, if I may use that term, the whole gamut of tying arrangements between small businesses, does not have the odor that it does with large business. And I think that it is necessary in some cases to encourage small businesses to do this sort of thing. As a matter of fact I believe that the Small Business Act contains a specific exemption from the antitrust laws which was designed to encouraged this, but it has never been implemented, to my knowledge. So to the extent that the law can be clarified to say where there are no improper antitrust connotations to this type of activity, many small businesses, who may now be reluctant to tie themselves to other businesses, because of the antitrust implications, will be encouraged to do it. And I might state also, that we believe that the bulk of antitrust enforcement by the Justice Department and by the Federal Trade Commission in connection with, not necessarily patents, but mergers and other similar types of activities, the bulk of these activities are directed against small and medium businesses, who really don't effect that restraint of commerce which the antitrust laws are directed against.

Mr. POFF. As I understood your recommendation if the committee grants standby authority for deferred examination you would favor additional language which would require the Patent Office to submit its plan to the Congress and the Congress to pass a resolution approving the implementation of the standby authority; is that correct?

Mr. CAPPELLO. That is correct, Mr. Poff.

Mr. POFF. Do you have any language to implement that recommendation?

Mr. CAPPELLO. We will attempt to submit such language. We believe this is one area that should be presented to the Congress for a determination once we have had some sort of experience with these deferred filings. We believe the determination should be made at that time by the Congress based on the record which the Patent Office is able to produce.

Mr. POFF. You oppose the recommendation that the Patent Office be granted authority to fix fees. What fears prompt your position on that point?

Mr. CAPPELLO. The general fear that we expressed in our testimony, that the interest of small business inevitably will be disregarded, because this is the easiest thing to do. Now we have in the Congress a forum where, if we are hurting very badly, we can get a little attention. But I don't think this is particularly true of the administrative agencies.

Mr. POFF. Does the Patent Office today in the present law have some discretion in the fixing of small fees of an administrative nature?

Mr. CAPPELLO. I don't believe I can answer that question, Mr. Poff.

Mr. POFF. One final question, you've made a series of recommendations for changes in the bill, recommendations which in whole or in part are at odds with the recommendations of the Commission. You have not undertaken to assign any priorities to your recommendations.

And my question is, Is there one recommendation without the approval of which you would feel obliged to oppose the bill?

Mr. CAPPELLO. So much of the structure that is proposed by the bill is interrelated; so many of the provisions are interrelated, I could not address myself to such a specific proposal. I think the whole structure has to be examined. I think it has to be made a workable whole and I think no particular provision is good or bad without reference to practically every other provision in the legislation. So I could not give you an affirmative answer to that, Mr. Poff.

Mr. POFF. Well, I don't want to harass you, but I'd just like to pursue the point a little further. Do you regard one of your recommendations more vital than another?

Mr. CAPPELLO. I would say that if we had a vital recommendation it would be the recommendation that a personal grace period be provided.

Mr. POFF. I yield to my colleague.

Chairman KASTENMEIER. The gentleman from Michigan, Mr. Hutchinson.

Mr. HUTCHINSON. Mr. Cappello, I'd like to discuss a minute this concept of a personal grace period, as it fits into the idea of the first-to-file system. Now I understand you to say your association favors the first-to-file concept but you also want this grace period. Now do I understand correctly that by a grace period you mean a period of time, perhaps as much as a year during which an inventor might be protected in his rights without filing any kind of an application with the Patent Office but during that time he could try out his invention, perfect it, find out just what he had, and so on, and the actual fact that something had been invented by him might be—while unpublished—might be known throughout industry. During that period of time this would be a grace period but on the other hand all of the impetus of this bill would favor the man who was first to file. I can't make those two concepts fit together because I would think that this man doing all of this 1-year period, he would realize that no matter what, he would have to get in there ahead of somebody else who filed ahead of him. Now do I have a misconception?

Mr. PERRY. I think basically, Mr. Hutchinson, that the first-to-file concept, on behalf of the Commission and ourselves, is to promote the inventor and actually getting this information to the Patent Office as expeditiously as possible. Basically, the Patent Office exists to give the American citizen the benefit of the latest technical advancements. Today we have instances where inventors intentionally withhold information that in many instances is vital to the American public. He does this most generally because we are now in an era where again our technological advancements have been so rapid. If I can use a hypothetical example, a number of years ago we had what we refer to as dynamite, several years later we had TNT, today we have hydrogen bombs. Each of these three things will do one thing; each will destroy. And if you were today to dump all of the information relating to these different commodities, with no priority existing, into the hands of competent inventors, the people working on dynamite obviously would have this product available rapidly because it is not too complex. TNT would follow quickly. But if you consider the

hydrogen bomb—and this is again hypothetical—you have a first benefit, you have secondary benefits, and fringe benefits.

Now to be comprehensive and provide what we must, it takes time for research and this cannot be accomplished in a matter of days. We feel that to submit basic information is good, so that it can be more readily available. However, this could be in the form, and I could use a personal case as an example, in the electronics field where original invention disclosure was a two-and-a-half-page document. Some 2½ years later the file information which was submitted to patent attorneys to be presented in the form of a patent application was some 10 pages of information. The application when submitted was also 50 pages. Now this, in terms of pages, doesn't sound like much, but there are so many aspects that must be considered to provide for the Patent Office information that would not be regarded as trash, and it takes time to do it. And in the case of Mr. Cappello's example, as related in his formal statement, even after this information is worked with and developed you still find areas that you had not exploited. Under the first-to-file concept, if you take a large industrial complex or corporation with a staff of 50 engineers working on a given program, the concept may be filed. One of the engineers the next day might go to another place and start another chain of events which can lead to a first-to-file concept which, in turn, would lead to another and by the time they present the concept in its final form you would have so much existing priority form different sources, the beneficial patent would be precluded from issuance.

Mr. HUTCHINSON. Well then are you arguing against the first-to-file concept?

Mr. PERRY. No; what we are emphasizing is that the first-to-file concept is good to get the information on record, but we want to qualify this by saying that the inventor, also, in doing this must have more time to present comprehensively to the Patent Office the backup data to make a complete disclosure.

Mr. HUTCHINSON. I can understand that argument alright except that the inventor realizes that under this first-to-file concept his patent rights are going to depend upon his getting there first. Under the present system if I understand it if he actually is the first inventor he is protected but under this new—under this bill in order to protect his rights he's got to get there first. And while he may desire to have a year or 2 years or whatnot, in order to better perfect his claims prior to his filings, this other thing is going to urge him on, he is going to rush it, he is going to be urged to rush—in other words the whole thing suggests to me that we are going to get a tremendous lot of claims. I don't know. I would count it as frivolous but it might prove to be quite—what you may call trashy—simply because you have got to get it in there in order to protect yourself.

Mr. CAPPELLO. May I interject something here, Mr. Hutchinson, in this regard. I think that one of the problems the small people face—and I have faced it myself—is that an inventor's idea, in connection with existing technology, is not necessarily the province of one man. Many, many people come up with it—the same logical conclusion as to the next stage in the development of any particular type of art. What we have now is an almost impossible situation from the standpoint of the small man. I am not going to suggest that people falsify their rec-

ords which are produced to substantiate their claim of prior invention, but I am going to suggest that the most equitable situation is that of the various people who all go down the same line. The one who ought to be entitled to the patent rights is the first one to get there with a reasonably complete application. The personal grace period merely means that any intervening art which may be developed is not going to be cited against that particular individual inventor. So I don't think the two answers are inconsistent.

Mr. HUTCHINSON. Well I thank you for the explanation. I had some questions about your appellate procedural ideas, but I think you sufficiently answered them in response to Mr. Poff, so I don't think I will pursue them further at this time.

Chairman KASTENMEIER. The gentleman from Delaware, Mr. Roth.

Mr. ROTH. I have only one question. I'd like to go back again to this concept of a preliminary application. Is it possible irrespective of what your language is, for an individual inventor to make the application himself, or isn't it always going to be necessary for him to go to the patent attorney to protect himself.

Mr. CAPPELLO. Well I certainly think with the language that is in the proposed legislation now, that it is impossible for the individual inventor to file the application.

Mr. ROTH. Do you think any language can be developed that would make it sufficiently simple, so the individual inventor could do so?

Mr. CAPPELLO. Mr. Roth, we are going to try to develop such language. We have some definite ideas how this should be done. But again I would like to suggest that if we have a sufficient personal grace period, as far as the individual inventor is concerned, this will tend to eliminate the problem of the preliminary application, because the inventor within a period of a year should be in a position to file a substantially complete application. And if he has the ability to file a continuation, and continuations in part, and to apply for reissue in appropriate cases, he will be able to improve his claims as time goes on.

Mr. ROTH. Going back to the other concept just a minute, I think you used language reasonably related to the disclosure. Now as I understand, one of the principal purposes of course is to avoid interference proceedings or at least to minimize them, would you run the danger with the language of "reasonably related" of having considerable litigation as to whether or not it is reasonably related. Wouldn't we be back in the same bind?

Mr. CAPPELLO. I believe, Mr. Roth, we are going to have some type of litigation, inevitably, connected with preliminary or complete applications, filing dates, and intervening art. I think, inevitably, some type of litigation will result. I do believe, however, that the use of the first-to-file concept is going to substantially reduce this type of interference, used in a broad term of interference litigation.

Mr. ROTH. One final question. Going back to your statement that there is going to be some litigation whatever scheme is devised, is the real solution perhaps to be found in your proposal of how the matter is to be litigated, is this where we can simplify it?

Mr. CAPPELLO. This is the area where the cost to the individual inventor can be reduced. This is the problem for the small businessman, the small inventor—the litigation cost. Our proposals, hopefully, are directed toward reducing the cost of litigation. We can't eliminate

litigation. All we can do is to propose a system which, in our opinion, is directed toward less expensive, more equitable, and more rapid solutions to these problems.

Mr. ROTH. If this latter could be achieved—more expeditious and efficient methods of litigating the bill—would this eliminate much of your objections to the present system?

Mr. CAPPELLO. Yes, it would, except that we still believe that interference procedures, for example, are going to be expensive, they are going to be time consuming. Our estimate of the average litigation, whether it is in connection with intereferences or infringement suits, is about $50,000 per litigation. This is an impossible burden for those of us who are in small businesses. And I think Mr. Perry can elaborate a little bit on some of his current litigation.

Mr. ROTH. Well I appreciate the problem of the cost of litigation but the main thing I was interested in is whether or not one approach may be that the appeals system and interference litigation could be sufficiently simplified.

Mr. CAPPELLO. We think this element of first to invent, as opposed to first to file, does lead toward a tremendous amount of litigation just because of the fact which I discussed, that numerous people can come up with the same idea about the same time.

Mr. POFF. In reference to your last statement, does not the accommodation of the personal grace period concept with the first-to-file concept lead you back in the direction at least of the first-to-invent concept?

Mr. CAPPELLO. To an extent it does. This was what I was referring to when I said we are going to have some type of litigation inevitably associated with the question who has the prior rights to an invention. I believe though that the personal grace period with the first-to-file concept will still eliminate the bulk of the interference litigation which is concerned with who conceived an invention first.

Chairman KASTENMEIER. Just one final question, in the event you had your choice between the present system and the bill before us, which would you choose?

Mr. CAPPELLO. The bill before us unvarnished? I think we would choose the present system.

Mr. KASTENMEIER. You would choose the present system?

Mr. CAPPELLO. Yes I would.

Chairman KASTENMEIER. Thank you very much for your appearance this morning gentlemen. We shall hear now from Mr. J. Rabinow, president of Rabinow engineering division; Control Data Corp.

STATEMENT OF J. RABINOW, PRESIDENT, RABINOW ENGINEERING DIVISION, CONTROL DATA CORP.

Mr. RABINOW. I have no prepared statement to read. I will speak from my notes. I thank you very much for the opportunity to be here. It is nice to know that at least one inventor gets a chance to discuss such a basic change in the system. If you forgive me for bragging, I would like to give you my qualifications for speaking. I have two degrees in electrical engineering. For 16 years I worked in the Government services at the Bureau of Standards. For 10 years I ran my own small company, and for 3 years I have been with the Control Data

Corp. I have 176 U.S. patents as of last Tuesday. I have some 25 applications pending and I have a very large number in foreign countries, but I don't really know how many. I am a member of the advisory committee for the Commissioner of Patents and I have some considerable number of honors for my inventions from the National Defense Committee, from the War Department, and Navy. I have a Certificate of Merit from President Truman for some work I did for the Government. I have the Exceptional Service Award from the Department of Commerce and I have a medal from the Franklin Institute. And now I would like to talk about the present bill.

In the first place, the present U.S. patent system is very good. I do not agree with Mr. Cappello, for example, about the fact that it is running down, that an inventor doesn't get his rights, that the small businessman is hurt. I think these cries of anguish are completely unfounded. I think it is the best patent system in the world. Next, perhaps is the German system but it has certain bad aspects of "opposition" which we do not have. I think the Patent Office has a complete record of honesty and fairness. I don't think there is any question about this.

I haven't heard any cries from patent attorneys or from inventors that something should be done, but apparently some people feel that we should change things and I think once in a while it pays to look into a system and to change it just a little. I think what is wrong now is that the world is getting smaller and the number of nations is getting larger in number. The number of patent systems is rising and since people do business all over the world we should do something about getting together with the rest of the world. No company, large or small, or a private inventor as I am occasionally, files only in the United States. We all file abroad. And the costs of filing are very high. I think we should get together with the rest of the world and get our laws into line. I think this is, perhaps, the basic reason why Mr. Holloman of the Department of Commerce, and why the Patent Office are pushing for a revision of the laws. They want us to get together with the rest of the world.

I believe the proposed legislation is basically anti-inventor. I am a little amazed that the Commission composed as it is of very excellent people, has elected, whenever the problems were difficult, to reduce the inventor's rights in order to simplify the problems. I think there are ways of simplifying laws without hurting the inventor so much. I think that when the preamble of the report speaks of making the laws stronger, they should not always accomplish this by reducing the inventor's rights in one way or another. I think the proposed bill is partly intended to help the Patent Office but I am not sure it will. I think the amount of paper would be actually worse and I think some of the office decisions that would have to be made would be much more difficult to make than today.

Gentlemen, I favor the first-to-file system. I don't think there is anything basic about the rights of an inventor. After all, the patent is not the reward for cleverness, but for getting the thing into use and the first to file may help this. I think that we now, in fact, live under the first-to-file system. As you probably know, the number of interferences, about which so much was said today, is very, very small. The figures are as follows:

In 1964 there were some 88,000 applications of which only 900 or so went into interference. In 1965 there were 89,000 applications, only 651 went into interference, less than 1 percent in both cases. In 1966 there were 93,000 applications with 473 interferences, or less than one-half of 1 percent.

We can see this isn't very many. But if we decide to use the first-to-file system, where the first man in the Patent Office wins the patent, less than one-half of 1 percent would be affected by this decision. In those cases interferences are set up, the senior party wins 75 to 80 percent of the time, which means that less than a quarter of 1 percent would be hurt or where an injustice would ever happen. This business of big costs of interference is mostly nonsense. I have 176 patents and only three were in interference. Not one went to court. They were settled by the respective lawyers sending each other letters. They found that in some cases I was the first inventor and some cases the other man was the first inventor and this is how it is usually settled and sometimes we give each other cross licenses. Based on my experience and based on my talks with many attorneys doing this work, I am convinced that court costs are very rare under our system, so this business of changing the laws to eliminate interference is mostly hogwash. For the last 15 years, I don't remember the figures, there were close to a million patent applications and something less than 1 percent were in interference and then only a small fraction of those were awarded to the junior party. Today, the man who files first gets the patent.

I support the idea of the first to file not because there is anything wrong with the present system but because it makes it possible to have an international patent. All of the countries of the world with the exception of the United States and Canada have this system, and if we are going to have an international patent we have to have a system that would have the same inventor here as the inventor, say, in France. If we do it the other way, we can have one inventor in the United States and another inventor for the same invention in Europe.

This setting up of an international patent system is very much worth doing. It is the single best thing you can do for any inventor, large or small. Today I have a venetian blind patent pending in six countries and they will cost me some $6,000. I have protected my magnetic particle clutch invention in 22 countries with 44 patents and this cost my brother, since he had money and I didn't, $37,000. This was not litigation, gentlemen, this was just bare cost of translations, filings, and that sort of thing. This is a terrible expense. And international filing is getting more popular, not less popular, because today when you have an invention you like to sell it all over the world. The world is getting very much smaller. And so, for this reason, I support the first to file, not because of any injustice in our system today.

Incidentally the proposed law as now written is very ambiguous. Section 102 will permit the second to file to get a patent. The proposed bill does not mention the first to file. It says (p. 11 of the bill) that a person shall not be entitled to a patent if: * * * (b) the application has been published or a patent on it has been issued. But if the second to file is copending with the first to file it may very well occur that

the second to file would come out first. Nothing in the bill prevents the second to file from getting the patent. If the first-to-file application has not yet been published it cannot be cited as prior art. This can later be corrected in court but I think the law should certainly be clear about what the authors meant it to do. My attorney went over this section very carefully and there is nothing to prevent two people from getting patents essentially on the same thing, with the second to file getting the first patent issued. You will notice that section (b) says the subject matter has to be disclosed and published in U.S. applications. Suppose it has not yet been published, and the first man's patent has not been issued. The second man has nothing against him, he gets the patent issued. I think this can be cleared up.

The first-to-file system has the very basic fault in that it would lead to more secrecy. Because now, when we get an invention either from me or from one of the other engineers, we discuss it quite freely and know we run no risk. But if I am afraid that somebody overhearing us can get to the Patent Office quickly, we shall certainly be more careful as to how we speak. I think this would certainly lead to more secrecy.

I think that the business of injustice about the first to invent but not the first to file goes like this: I go to the Patent Office first, but you thought of it a year before me, so you would, therefore, be barred from using your own invention. The U.S. system does not give a patent to the first to invent, but to the first diligent inventor, which is quite another story. You are the first to invent but you didn't actually work on a day-to-day basis and you would probably lose the interference anyway. But you may be the first to invent diligently and there is some injustice about not being barred from using your invention. I could argue that you should have gone to the Patent Office also, as I did. You should have protected yourself. There are many things one could do in connection with the first to invent. I would object to a provision that the first inventor gets certain shop rights, as is done in some 20 countries. I think this could lead to more secrecy. Look at the technique that I could use in a computer invention. In a case like this I would like to be protected. I keep my mouth shut. I will use it, I'll say nothing, nobody will know about it. Somebody else files for a patent. That's wonderful. I don't really give a darn because I have my "first use." Nobody knew about it, I didn't tell the people of the world, and I am protected just by the fact that I used it. I think this is unfair. My daughter who sits behind me today listening to me (she had a wonderful excuse to stay out of school) suggests a way out. She has a patent pending, so she has a right to speak as an inventor.

She says that the way to get around this would be to arrange matters so that you should have "shop rights" only if you also file, and file within a year or perhaps 2 years. Then the first-to-file inventor would still get the patent, the international agreement would still hold, but the man who files second but invented first would be protected as to his invention for his own use. He would have essentially a free license. This means that you would force him to file also, and thus discourage secrecy. If he filed, say 3 or 6 months after the first filee, he would at least have shop rights. But you cannot permit him to have free license and encourage secrecy. I think this suggestion is a possible solution to the first-to-invent versus the first-to-file

question. It is fair and would reduce those terrible pressures that people speak of to rush to the Patent Office.

I don't believe in this nonsense about pressures to get to the Patent Office. This is not the way attorneys work. It does take time to prepare an application. We do rush to the Patent Office as soon as we can, with a very hot invention. I asked Dr. Bardeen, who is a member of the Patent Advisory Commission who wrote this bill, "How soon did you file on the invention of the transistor?" He said, "Within 3 months it was in the Patent Office because when we get something that is hot, we know it." Every inventor knows when he has something good, when he has something medium, and when something is not quite so good. When it is a good basic invention, we work very hard at it. The attorneys get on the ball. They file quickly because it is important to be the first, even with the present laws. You want to be the senior party; you want to get in there and protect yourself. And so I think, as far as the matter of the first to file is concerned, he is usually the first inventor in 99½ percent of the cases anyway.

Now I mentioned the matter of interferences. They are not serious, they don't cost very much, and while I would like to eliminate them, if possible, some kind of interference would have to be provided for, because there would still be the question as to who owns which claim. You filed in January; I filed in February. In the middle of the year the Patent Office has to decide who is the first inventor of what; who is entitled to each claim. There would have to be some kind of interference proceedings set up by the Patent Office so that when you say "I am entitled to your claims" and I say "No; you are not," and there should be some open argument, which doesn't require a court case, but does require some opposition procedure between the two inventors as to who invented exactly what. This is obviously necessary.

I was very interested in the fact that the antitrust recommendations of the Commission did not get into your bill. My scuttlebutt in Washington—I have been here 30 years—tells me that the Justice Department doesn't feel that it could trust you with such an important matter and that is why it was stricken from the bill. When the bill was drafted, the Commission very mildly pointed out that there is a conflict between the antitrust laws and a patent monopoly. There is, undoubtedly, a conflict. Perhaps Congress should have something to say about this. When it came to the bill, that part of the recommendations, recommendation XXII, was left out. I don't want to tell you your business, but I politely suggest that there is a conflict. I know that the Justice Department is afraid of patents because they are monopolies that can lead to abuses. As one inventor who likes to license others once in a while, I'd like to know what are my rights and if you don't tell me, nobody else can. I think it is your business whether the Justice Department likes it or not. I think you people have to clarify this matter. Either we do have an absolute monopoly, or we have a limited monopoly. Can I license different fields of industry with the same patent? The Justice Department can say I cannot. In other words, I think I would like to see this subject matter back in the bill, or to see a separate bill which clarifies this antitrust business with respect to what rights do I, in fact, have. I have asked good lawyers and they don't seem to know.

Gentlemen, I do favor publication before issue, but not the way it is outlined in the bill. The way it is here, gentlemen, is that 18 months after the filing date and not more than 24 (or perhaps some other date) the application shall be published. If you publish a patent application without allowed claims you are publishing a bunch of junk, because nobody can tell what the case contains. It is the claims that say what I have invented, and not the general disclosure, and one has to know the claims if one is going to oppose the patent. I recommend that you require the publication after the claims have been fought through and have been allowed, and after the case is complete. The publication should be done as the patent is published today in the Gazette. It should be published but not issued. This can be done, say, 6 months before issuance so that any third party who has anything to say because he knows of prior art, or he has some argument against issuance, or he knows of some use in Mexico where something was done similarly, can then send in this piece of information to the Commissioner of Patents. He can say, "I see that you have allowed claim 7 to Mr. Smith and I happen to know that this was practiced in Canada on such-and-such a date, or was published in such-and-such a paper, and here is a copy." This should be ex parte proceedings and the third party should not be legally involved. The name of the interfering party should not be disclosed, so as to protect him in future litigation.

All this should be done after the claims have been allowed so we all should know exactly what we are talking about.

If you don't do this, gentlemen, what will happen is this. An application will be published before the claims are allowed. As a third party, I don't know what the Patent Office will say or will not say. I don't know what they know or don't know. In order to prevent this man from getting the patent, since he may be a competitor, I'll send a tremendous amount of junk into the Patent Office, anything I can think of to prevent this application from issuing. For all I know the Patent Office might very well already have this information in their possession. I don't know what to weed out, which is the wheat and which is the chaff. So I say the only way to do it is to let the application mature (this should not take more than a year or two), let it be published in the regular way and, if nothing new comes up, it should be issued in 6 months. If something new and important does come up, the Patent Office should consider it, reject it, or modify the claims and the patent issued sometime later. In this way, when a third party speaks he speaks with substance. He knows what the patent describes and what is allowed.

I'd like to tell you about my experience with rushing into the Patent Office and with rushing the publication. This was a big invention which caused the formation of a whole new section in the Patent Office files. It was the magnetic particle clutch which is used today in planes, missiles, automobiles, computers, et cetera. It was invented when I worked for the Bureau of Standards. We filed very quickly and published very quickly because there was no commercial interest in it for the U.S. Government. What happened is that all the other interested parties immediately rushed in with improvement inventions. If this were my private patent, I certainly wouldn't have published quite so quickly. I had just gotten the basic idea filed when all sorts of wonderful improvements came into the Patent Office, improvements that we had thought of but didn't file fast enough.

I think this business of publishing too early does a great deal of injustice to the inventor. As a matter of fact, Mr. Smith, a senior attorney for Texas Instruments, speaking in Boston, said that they don't mind the pendency of 2 or 3 years. He doesn't think that this delay really makes much difference but it gives them time to get the improvement applications sent in. You know, a basic patent is not a complete entity by itself. You have to make improvements and modifications of the invention. These have to be patented so that a whole package of patents develop. I had 11 patents before I was through with the magnetic particle clutch. You do not invent one thing and quit. You have just begun. You open a Pandora's box and for the next 10 years you are up to your neck in improving and protecting the basic invention by the surrounding patents.

In the case of my watch regulator, which was my own patent, I did not publish too quickly. I did file on a half dozen improvements and some of them did get into interference. I won the interferences. And every automobile clock in the United States pays me about a cent and a half. If the clock doesn't run in your car, I'll give you back that cent and a half. Unfortunately, the clocks are still not very good, but when they run, they are regulated better than they were. It took me 9 years to sell that invention, with no legal problems. The invention makes the clocks cheaper and better, but it took 9 years. If there was deferred examination in effect, I would have abandoned the invention and lost a quarter of a million dollars.

I do not favor preliminary application. I think they are nonsense, with all due respect to the committee. If it is a computer patent you cannot prepare a preliminary application. It is too much of a job. It is page after page of description and drawings that you must use to make a sensible description that is going to support claims later. Even lousy claims, if you will forgive me, loose claims, take a great deal of work. So you might as well get an attorney and do it right. You cannot do a simple preliminary on a computer or on an elaborate engine. The only simple preliminary one can do is, perhaps, a simple thing like a venetian blind, or a window shade, or something like this. And if it is that simple, why not do it right and finish it? I think the trouble with a preliminary is that nobody, not even God could later tell whether the preliminary supports a particular claim or does not support the claim. We have trouble supporting a claim when the application is complete and carefully thought out. We still don't know, later, whether this claim is, in fact, supported by the specification. How in the world can you tell, when I wrote a quick description of an invention, what I was thinking of, and what I thought of a year later when I knew a great deal more? These preliminaries will have to be read and they are not going to be just filed. They will be used as prior art. They will have to be examined in case of any trouble.

My feeling is that the preliminaries are a waste of paper and a waste of time, and you might as well live with the fact that today the first-to-file wins 99½ percent of the cases, anyway. In the new system this would be a hundred percent of the cases. So you file the application as soon as possible and if you do file second, but you are the first inventor, you get "shop rights." But file it and be done with it and do not burden the Patent Office, that is already overburdened, with a bunch of other nonsense papers.

One of the reasons for this bill is to help the Patent Office and you are not going to help them by filing three or four different papers supporting one set of claims, particularly when there are four or five preliminaries in one case and two people get into interference. Then you have to decide which of the many different dates support which of the different claims of the two inventors. One of the things that the Commission proposed is you can file half a dozen preliminary applications during the 1 year. Each one can support a different claim. Suppose another inventor files six others and they are intermeshed. I'd like to know how will the Patent Office straighten this mess out? I say "The heck with it. Let's file the complete case with the claims, and let's fight it out on the merits of the first application."

Now about the grace period. A lot is being said about this today and yesterday. This is a straw man. No company today works on a grace period, because foreign filings prevent you from having grace periods. If you publish before you file in the United States, you cannot file in many countries of the world under the convention date because this is an absolute bar. So nobody does this except some small investor who just wants to file in the United States. Almost all commercial inventors, small or large businesses, even I when I work only for myself, file first in the United States and never publish before that. So this grace period before publication is a myth. A vice president of IBM recently said, "We all live under the present system of file first and talk later, we have to." Any company of any size must file abroad today in countries like Canada, Mexico, Germany, Japan. But if you file in six or seven countries you would have to file before publishing. So I say that the grace period only complicates things, it is not necessary, and the only case where it is justified is in unauthorized disclosure and that is taken care of in the bill. Where there is an authorized disclosure because somebody knows of my invention and shoots off his mouth, there is a grace period to protect me. I think a year would be a reasonable time but, outside of that, the inventor should not speak first and file later. In other words, we get into this messy question of why did I speak first and why did I file later and how all the other people got into the act. I think the more you legislate against all this complexity, the better the system will be.

I do not like the reissue provision that was written into the bill. The reissue section says that when the patent was issued improperly, I can ask for a reissue. The bill, for some peculiar reason, says I cannot broaden my claims. I do not understand why the Commission always simplifies matters by going against the inventor. Why shouldn't I broaden the claims? The Constitution of the United States does not say that I should be penalized for my mistakes. It says you shall give me the best patent to which I am entitled. There was a mistake made, I want the best patent no matter when it is issued. Somebody in the meantime, starts to manufacture the patented article and the present law takes care of this party by means of "intervening rights" so that the broadened patent is not held against them. These people are protected perfectly well. There is no reason to limit the rights of the inventor so that the patent can't be broadened. I think this is absolutely unfair to inventors.

I don't like the 20-year patent life from the date of the patent filing. The excuse given by the Commission, and I suppose that is why this

item is in the bill, is that by various kinds of stratagems the patent attorneys delay the prosecution of the patent application. If the patent laws are well written and if they are clear, and if the Patent Office does what it is supposed to do, which is to enforce the law, there is no way for an attorney to stretch the pending period. If he does, it means that somebody is being lax and lets him get away with it.

It seems to me that if patents are going to get issued in a year or two, let's keep the 17 years from the date of issue. There will be interferences in important patent cases, there will be certain difficulties of one kind or another and there is no reason to penalize the inventor. To say that the attorney is going to be penalized is really to say that the inventor will be penalized, because the attorney speaks for the company or the inventor. I see no reason why you should introduce this sort of thing. The Patent Office should see that the attorney minds his P's and Q's and they should see to it that he cuts out the nonsense. I think that 17 years from the time of issue is good, but I don't think this change is going to make very much difference in the average practice.

I don't like the provision that the fees be set up by the Patent Office, and not because I don't like Commissioner Brenner. I think he is a wonderful guy. I think that it should be Congress' business to keep a check over the agencies, and this is one way you have control over the agencies by making sure you have control over their money. This is a very powerful weapon. I was in the Government for 16 years. I think it is necessary for Congress every year to take a look at what Government people are doing via the Budget Bureau. It has a tremendous power in Washington because of the dollars that you hand out to the agencies. I think the agencies should be looked into this way.

The thing I object to greatly is the presumption of correctness of the Patent Office staff. The staff is getting weaker, not stronger. They are having trouble maintaining their best people. The salaries are not equal to the salaries of the outside attorneys. There is a kind of presumption of correctness on their part, but there are ways of correcting their decisions as to what is new and what is obvious after the argument with the inventors. I think that no presumption like this should be written into law. Let the courts decide this. If the Patent Office has a good staff, and I shall have something to say about this at the end, and the staff is competent, the presumption of correctness should be automatic. You don't say a man is intelligent because the law says so, let him be intelligent first and thus get the respect he deserves.

I don't like the degrading of the CCPA by having the proposed appeal procedure over this court. I think that the court is excellent. We recently had a meeting in New York of some of the best patent attorneys working for the large corporations in America. There was a meeting about this patent bill at the New York Hilton about a month ago, held by the American Management Association, and I asked the attorneys who were present—I have a list here if you would like to see it—"Do you think the CCPA hands down good decisions, would you do any better if you were in the judge's seat?" And it was unanimously held by a show of hands that this court is excellent, their decisions fair, and that the attorneys do not think any other court does any better.

My own reading of their decisions, and I read the Patent Gazette every week from cover to cover, leads me to think that you could not

improve on this court as a court of review for the Patent Office. I think any tendency to overrule them or to let some other court—outside of the Supreme Court—review their cases is unfair and unnecessary. In fact, the present system of being able to appeal against the Patent Office either in this court or in the district court of the District of Columbia, should be modified. I think that the district court should be eliminated from the patent business and that the CCPA should be the only court where you can take an appeal from the Patent Office. This would simplify the procedures, save money and in general clear up this business of giving the attorneys two alternate routes by which they can go through the court.

I object most violently to the provision in the bill which says the Patent Office, itself, can revoke the patent within 3 years. I don't know who stuck that into the bill, but if there ever was a dirty trick against an inventor, this is it. Here is a case where I apply for a patent on the first-to-file system. I have trouble getting the patent issued because the application has been published. Other people have a chance to speak their minds, they have 6 months or a year. I finally get over that. I get my patent issued in spite of all those things. Suddenly I have a patent so I begin to spend money.

I develop a gadget and sell it, the money may go into a million dollars for a reading machine or $50,000 for a venetian blind. My competitor waits 2½ years and suddenly clobbers me with art that he knows. In a tomb they just opened in Greece they found some prior art. The patent is not valid. There is prior art because somebody used the invention in a mine in Africa. Suddenly the Patent Office is forced to negate its own decision and throw the patent out. I cannot sue this man for infringement at the same time. If he goes to court later and fights me on validity, at least I can countersue and say he is infringing. So he can sue me on validity and I can sue him for infringement and we can let the court decide the equities of the matter. But here he's not under any risk himself. He goes to the Patent Office and throws out my patent by paying a "big" fee—$500. To a large corporation, even to me, that is not big money when infringement is concerned. Five hundred dollars doesn't mean a thing when you have an infringement case where you would like to manufacture the article.

Mind you, the man deliberately kept quiet when the application was published before issue. Nothing is said in the bill that he had to come in with prior art. He kept quiet, he let me get the patent, he knew what I was doing, I even opened a market for him, and then he clobbers me with art that he knew about all the time. I think this is ridiculous. Once the Patent Office has done its job, the application has been published, the patent issued, that's it. The Patent Office should be finished. Let the man go to court and we'll fight it in court. I don't see how the Commission could recommend this and say they are trying to strengthen the patent system. During the 3 years I can't even sell the patent because I don't know if someone will or will not clobber me. I don't understand this thinking of the Commission. I beware of friends who try to protect me much too much.

Now another thing I object to most violently in this bill is the provision that says that if the patent goes to court and a judgment of validity is handed down against the inventor, and it is appealed and the judgment is sustained, that the patent is invalid for all time.

I would like to know why the reverse isn't true. Why, if it is held valid when it was tested, and it was appealed and held valid in the court of appeals, why shouldn't it be incontestable from then on? If the court decision is good for an infringer, why shouldn't it be good for the inventor? I am perfectly willing to go through the courts and settle it. If it is held valid, why can the infringer sue me a hundred times while I can sue only once? It seems to me that if you are going to introduce this kind of thing into the law, let it say that after it has gone through all the possible appeals and has been held valid, let it be valid for all times. That's usually another 10 years, or 5 years, or whatever is left. But let the proposed law not always be biased against the inventor.

I object to the deferred examination system because I think basically, it is a way of saving the Patent Office work by abandoning patents. Because if they are not abandoned, the Office will have no less work. You file a case and you defer it, and a little later somebody else comes in or you come in to pay the final fee and the Office has to prosecute the application as before. It seems to me that the case of my application at the Patent Office should be between me and the Office and no one else. I object to the fact that I can have 30 cases pending on deferred examination and then my competitor, let's say he is a rich competitor, comes in, pays the fees. Suddenly I find I have to prosecute 30 patents all at one time, when I am not ready, when I can't afford the $500 that each case would take (at least). Suddenly my competitor forces me to prosecute patents which I was deferring. If we are going to defer patents, first of all, no third party should come in. This is none of their business. While I prosecute my application, they know the details of the case because it has been published.

The whole deferred examination is a myth and in no sense is it going to save me any work. My attorney still has to prepare a complete application. I think it is basically a way of publishing rather than issuing patents and I think that ordinary publications can be used instead of this. I think it is unfair to the small man because the small man will think he is going to save money. It is the kind of system where you file now and pay later—a credit system. Some have said to me: "After all you are a grown man, you know whether you want to prosecute the thing or defer for later." I say that is an argument for gambling. Grown men gamble, grown men take heroin, this doesn't mean you should encourage this. I think the proposal is an encouragement to file and not pay.

In the case of my watch regulator if I had filed and not been able to sell the invention for 5 years, I would have abandoned it. As it was, I sold it 9 years later because the watch industry wasn't interested. The automobile industry was.

With the deferred examination you are encouraging abandonment. This is the reason I object to maintenance fees because they force the inventor to abandon applications. I object to anything that does this to the inventor. Let him pay when he is interested and be done with it. Let him get a patent. Don't make it harder and harder as the years go by. Seventeen years go fast enough.

I object to the whole business of deferred examination and I certainly object to it being instituted by either the Commissioner of Patents or the Secretary of Commerce. It should be your job, gentlemen,

to decide when the patent system gets changed. Let other screwball inventors come in and testify. It is your job to decide when the system should undergo changes, not somebody who wants to save on help and who doesn't know how to get more money from you. That is a problem, I admit. His job is to get the budget from you and if he cannot get the necessary budget, then he is going to ask you for changes in the patent system. He could even ask that you repeal the patent system, but that should be the Congress' duty, not the duty of the Commissioner of Patents or of the Secretary of Commerce.

I think that the patent system should be upgraded but you don't upgrade it by changing the laws in this way. These are merely legal matters. The way you upgrade it is to upgrade the people who administer it. This means you want better patent examiners, you must have more of them, and you should have more professionalism down there. Now they have to get so many cases done by Friday. I believe that what you should do is raise their salaries. There is no way of getting good people without paying them enough, except for Congressmen, Secretaries, and the President. They will work for nothing, but everybody else seems to want to get paid for their work. I think it is important that they get well paid for it.

If industry pays attorneys more money, then Congress will have to pay examiners more money. You will not get good patent examiners without this and unless you get good people, you are not going to have a good patent system. It does not make any difference what laws you write, the only way to get good people in a job like that is to pay well. You want good inventions—give the inventor the present 17 years; you want good examiners—pay them a good salary.

There are other patent bills that could be written which are not as radical as this, such as the bill before you, H.R. 7454, which is a rather straightforward bill to simplify the present patent system. This is an excellent bill which does not change the basic laws of the country.

We could write a million bills but I support the first to file only because I believe in international patents. I don't believe the present bill is particularly good and if I had a choice of letting it be passed completely as is, or abandoning the international prospect, I would abandon the international prospects. I believe the present bill is very unfair to the small companies, to the small inventor and unfair to all inventors, and I urge you not to pass it and not to recommend it in the present form.

And I want to thank you very, very much for listening to me.

Chairman KASTENMEIER. Thank you Mr. Rabinow.

I have just one question in view of the lateness of the hour. As an inventor is it your practice to pursue your own patents, or do you and have you exclusively used patent attorneys?

Mr. RABINOW. I have done both. We have a patent attorney at Rabinow Engineering. He has enough work because we emphasize patents. He works with us directly. I also have a private attorney because, occasionally Control Data lets me have some private rights on inventions which are outside their business when and where they feel they are not interested. And to keep the matters clear, I like another attorney to handle this. He does it on a commission basis. He has done well with

me so far, and he says some people play horses, he prefers to play Rabinow. That is his privilege. I have done my own cases completely. That is, I have written the specifications, the claims, and actually had the interviews with the examiners. But it usually does not pay to do this because often there are things you do have to know, particularly if you get involved in any difficulty. I prefer not to do it now. We don't even make our own searches, we use professional searchers. I think an inventor can file his own patent in simple cases. If you have a simple pair of pliers you can do your own, but if you have invented something complicated you have to use an attorney. Incidentally this is why the $10 fee doesn't trouble me. It is going to cost you $500 to get a patent through in the simplest case. So whether you pay $10 or $30 or $60 isn't going to make any difference to an inventor. I am not going to stop filing because of a $30 difference.

Chairman KASTENMEIER. You did open up another question. The witness that preceded you stated that the holders of large portfolios of patents are reaping the greatest amount of benefits from patents and should therefore bear a large portion of the total fees paid to the Patent Office. He recommended that a graduated structure of fees related to the total number of patents held or filings made, per annum, be incorporated into the fee structure. As a holder of a large portfolio of patents, what are your comments?

Mr. RABINOW. Well, my portfolios are not large compared to some large companies, because they hold thousands of patents. I think if they have large numbers, they paid more to the Patent Office, any way, and I don't think it would make any difference if you change the fees from $50 to $100. Even if they have to pay a maintenance fee when they file in Europe, I don't think it is going to make any difference.

The large companies, the IBM's, the General Motors, the General Electrics do license freely and they do not prevent the little inventor from making the patented article. I know of no case where a large company clobbers a little guy and I think this is because of the antitrust laws which are most effective. Large companies do have large numbers of patents but the protection that they need is internal. They do make a lot of money on their inventions but not by royalties.

As a matter of fact, one of the gentlemen from one of the largest corporations—I don't want to name any names—said that if the patent system were ended today these larger corporations would go on making their generators and their computers and everything else perfectly well without a patent system for a short time. After that the flow of inventions would start drying up. General Motors will make cars with or without patents, certainly in the immediate future.

Chairman KASTENMEIER. Mr. Edwards?

Mr. EDWARDS. No questions.

Chairman KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. No questions at all, except I want to compliment the witness for what I feel has been a very helpful testimony.

Mr. RABINOW. Thank you very much.

Chairman KASTENMEIER. The Chair would also like to thank you for your very helpful testimony.

The Chair would like to announce that we have an executive meeting on Monday morning next at 10:30.

There will be no hearings that day.

The only hearing next week will be on Thursday next at 10 a.m. in this room at which time we will hear from Mr. John M. Malloy, Deputy Assistant Secretary of Defense for Procurement, and Mr. Francis C. Browne, president of International Patent and Trademark Association.

The committee stands adjourned until that time.

(Whereupon the hearing was adjourned at 12:25 p.m.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, MAY 4, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel; John W. Dean III, associate counsel.

Mr. KASTENMEIER. The committee will come to order for the further consideration of H.R. 5924, a bill for the general revision of the patent laws.

This morning the committee is pleased to have as its first witness Mr. John M. Malloy, Deputy Assistant Secretary of Defense for Procurement.

Mr. Malloy, welcome to the committee. Please identify your assistants and proceed, sir.

STATEMENT OF JOHN M. MALLOY, DEPUTY ASSISTANT SECRETARY OF DEFENSE (PROCUREMENT), ACCOMPANIED BY STANLEY NISSEL, OFFICE OF THE GENERAL COUNSEL, DEPARTMENT OF DEFENSE, AND ALBERT H. HELVESTINE, PATENT COUNSEL FOR THE DEPARTMENT OF THE ARMY

Mr. MALLOY. Mr. Chairman, I have with me today, on my left, Mr. Stanley Nissel of the Office of the General Counsel, Department of Defense, and on my right Mr. Albert H. Helvestine, who is patent counsel for the Navy.

The Chairman and members of the committee, I appreciate very much your invitation to appear before this committee to express the views of the Department of Defense on H.R. 5924.

The Department of Defense has an interest in the patent system for several reasons. Our security depends to a large measure upon an expanding technology, and technological progress is enhanced by the incentives inherent in the grant of patents.

Out of this technology has arisen the new and unique equipment with which to defend the Nation and to deter aggression.

Moreover, the Department of Defense is a user of the patent system.

In the course of its operations, it conducts extensive research programs, both in its own laboratories and in those of contractors. This research often provides the environment for the conception of inventions.

The Department of Defense is concerned with the efficacy of the system through which the Government's property interest in those inventions is secured.

In addition to its own inventions, the Department frequently must utilize the inventions of others. As these inventions are often covered by patents, the Department is authorized to pay a reasonable royalty for their use.

Any improvement in the quality of the patent, for example in such things as clear specifications and valid claims which properly define the scope of the inventor's contribution, would materially assist the Department in acting upon charges of patent infringement asserted against the Government.

Patents also serve to document and disseminate detailed technical information, provide incentives for innovation, and secure recognition for creative individuals.

The basic objectives of H.R. 5924 are to enhance the effectiveness of the patent system by raising the quality and reliability of U.S. patents and by reducing the time and expense entailed in obtaining and enforcing them.

An additional objective is to accelerate the public disclosure of scientific and technological information.

The bill which is now before this committee will, in our judgment, go a long way toward accomplishment of these objectives. The Department of Defense, therefore, strongly supports the bill.

Mr. Chairman, I would like to comment on two specific aspects of the bill which are of particular interest to the Department of Defense and which we believe merit the attention of this committee.

The first item relates to the prompt publication of technical reports generated within the Department of Defense and by our contractors.

These reports are often a principal object of research and in many other cases they are an important byproduct of it. Such reports are public documents. To the extent that they are not classified for security reasons, or otherwise limited in distribution due to the inclusion of such things as trade secrets and proprietary data, the public is entitled to have access to them, and in fact, does have access to them through the Defense Documentation Center and the Department of Commerce.

That these reports are made known to the public is, of course, consistent with one of our key objectives, of distributing new technology to the general public.

A new feature of the patent system which the bill would introduce is the "preliminary application." Its purpose is to enable the applicant to establish an early filing date in the Patent Office prior to filing the "complete" application.

As conceived, the preliminary application would be a document with minimum requirements as to form. At the same time, it is recognized that the preliminary application should contain a fair and adequate reflection of the technical details of the invention, since it is not contemplated that in the complete application he derive the benefit of the earlier filing date as to any matter not fairly reflected in the preliminary application.

With the preliminary application on file, then, the applicant, without prejudice to his later complete application, could publish and freely discuss his invention.

This, again, has the effect of getting information on new technology quickly before the public.

The Department of Defense is strongly in favor of the preliminary application concept. It would be a valuable addition to the patent system.

However, section 120(a)(2) of the bill, closely paralleling the present law (35 U.S.C. 112)with respect to a complete specification, establishes the requirements which the preliminary application must meet if it is to protect the applicant.

We note that under section 102(a) of the bill a technical report published prior to the filing of the patent application may be cited as prior art against that application.

With this fact in mind, and in view of the detailed requirements of section 120(a)(2), inventors may be inclined to withhold or delay full and complete disclosure of inventions in technical reports, at least until a preliminary application incorporating a rather complete specification can be prepared and filed.

This result would be, of course, inconsistent with the objective of stimulating the flow of new technology.

A possible solution to the problem may be to provide the inventor with a short personal grace period—perhaps 6 months—against the prejudicial effect of his disclosure of the invention.

By thus broadening the scope of nonprejudicial disclosure an inventor could reveal his invention in a technical report without thereby losing his opportunity to obtain a patent.

Another area with which we are concerned relates to the provisions for security review of patent applications, as contained in chapter 17 of the bill, sections 181–188.

The law presently in effect authorizes appropriate Government agencies, including the Department of Defense, to review patent applications. If the publication or disclosure of the invention would be detrimental to the national security, the Commissioner of Patents will order that the invention be kept secret. Willful disclosure in violation of a secrecy order carries a criminal penalty.

Chapter 17 of the bill does not depart substantially from the corresponding chapter of the present patent law.

However, under section 184(b) of the bill the term "application" as used in chapter 17 includes only the complete application, thus affording the Commissioner no express authority to issue secrecy orders against preliminary applications.

Under the bill an applicant who files a preliminary application on an invention of a sensitive nature need not file his complete application for a full year. During the intervening time his preliminary application would not be subject to the possible imposition of a secrecy order.

Hence, it is possible that a privately developed invention carrying no official security classification, but which contains information of a sensitive nature, could be divulged by the applicant even while he has a preliminary application in the custody of the Commissioner of Patents, and potentially available for review.

Hence, Mr. Chairman, we feel that the bill should provide that the Commissioner of Patents may impose a secrecy order on preliminary applications in appropriate cases.

Mr. Chairman, this concludes my statement. I will be happy to respond to your questions.

Mr. KASTENMEIER. Thank you, Mr. Malloy, and I compliment you on a statement that is concise and to the point and very useful to the committee.

As I understand it, the Department of Defense supports the bill, but has two important qualifications.

The first one is that you fear that elimination of the present grace period, even when coupled with a preliminary application, may discourage prompt publication of the results of technical research.

Is that your view?

Mr. MALLOY. In general, Mr. Chairman, that is correct.

Mr. KASTENMEIER. Is this because published technical reports would constitute in your view prior art, unless and until embodied in an effective application, whether preliminary or complete?

Mr. MALLOY. That is true. That would be the effect of the bill.

Any prior publication would be prior art against any application, whether it is a preliminary application or a final application.

Mr. KASTENMEIER. And I take it that you feel that, to be meaningful, a preliminary application would have to be fairly specific in terms of details, and would require a substantial amount of time in preparation?

Mr. MALLOY. I believe that the bill as drafted does have this effect.

It calls for essentially the same kinds of tests that are applicable now in the present law with respect to a complete specification, and because of this test it just may have the inhibiting effect that we mentioned. As we contemplated what the result of that would be, we thought that a solution to the problem would be the personal grace period applicable only to the man who did the publicizing.

As I have studied this matter, I find it is necessary to weigh the many problems that are involved.

There are plenty of problems with a preliminary application in terms of its administration, because the Patent Office and the Government have as their objective not to provide any more to a particular inventor than that which he has disclosed. If he does not disclose much, he does not get very much protection.

The bill as drafted with respect to the preliminary application does, in our judgment, have a rather strict test which, it seems to me, could be overcome in part, or it could be potentially overcome wholly, I would judge, by the personal grace period.

You could change the test of a preliminary application, as well, but the grace period seems to us to be a way to do it.

Mr. KASTENMEIER. Do you think this concept of a personal grace period is consistent with the basic concept of the bill; namely, that the patent should go to the first to file?

Mr. MALLOY. I think it is completely consonant with that objective.

"First to file" is a system which I very strongly support, and which attempts to simplify greatly the present situation. It attempts to set up a time certain from which things then start to move; namely, the time of filing.

Now, it is true that if you go to a personal grace period, you are taking that time certain; namely, the time of the filing of the preliminary, and you have introduced a new concept that looks slightly backward, you might say, toward the present system, and it sets up another time certain from which things must move.

To that extent, you will introduce a few more administrative problems than if you did not have the grace period, but as you weigh the problems of the scientific and technical community who do desire to publish promptly, and to discuss technical matters promptly, and we in fact want to encourage them to do this, it seems to me that you have to have some accommodation for the situation, if you have a preliminary application which has the potential complexities which I think are in the bill.

Mr. KASTENMEIER. Now, the other change you suggest proposes that provision be made for the Commissioner of Patents to impose secrecy in connection with preliminary as well as final applications.

Other than this suggestion, do you find the bill, in terms of security or confidentiality, to be equivalent to the present system?

Mr. MALLOY. I believe it is equivalent to the present situation except for this one point.

As a matter of fact, really, we are suggesting no essential change whatsoever in the security aspects of the patent situation other than this one point that we mention. We think that, security matters being as important as they are, we should not be precluded from putting a preliminary application under a secrecy order, and we would do it in much the same way as we operate today.

True, it will present some problems in terms of reviewing a preliminary application, because of the potential volume, but these, it seems to me, could be overcome.

And many times people voluntarily come to the Department, either to interest the Department in their invention or otherwise to get the advice of our own technical people, and it is brought to our attention that something that the inventor did not think involved security did in fact involve it.

Having that information, we would want to be able to move to put the preliminary application under a secrecy order. We would think that it would not be in the national interest to be precluded.

And really what we are suggesting, Mr. Chairman, is that we have the authorization to move in those situations where we know that security is involved.

I don't really regard this as any major change, at all, in the basic matter of imposing secrecy on the patent system.

Mr. KASTENMEIER. Mr. Malloy, I wonder if you would be willing to have your Department submit statutory language which embodies the thrust of your recommendations here.

Mr. MALLOY. Mr. Chairman, we would be delighted to work with the staff of the committee, and I suppose the staff of the Department of Commerce, who originally submitted the bill, and to perfect language to carry out our recommendations.

Mr. KASTENMEIER. Fine.

One final question: Do you find anything in the bill which disturbs the existing state of affairs with reference to what is termed "Government patent policy"?

Mr. MALLOY. Mr. Chairman, I really do not. These, in my judgment, are two separate matters entirely. I am very familiar with the Government patent policy matter, and would state that the provisions of this bill or any similar bill or modification of the bill undoubtedly would provide a framework for the subsequent development of any Government patent policy.

The patent policy issue takes over from an existing patent system, and these are not in any way in conflict.

Mr. KASTENMEIER. Thank you, Mr. Malloy.

Mr. Poff.

Mr. POFF. Mr. Malloy, let me first echo and underscore the tribute the chairman has paid to you for your remarkable brevity. It is highly unusual.

And it is most definitely appreciated by long-suffering Members of Congress, I assure you.

I was one of the first, if not the first to raise the problem to which you addressed yourself, as that problem seems to me to result from section 120(a)(2).

There seemed to be some feeling that my concern was unjustified, and that the requirements for the preliminary application would be minimal, notwithstanding what appears to me to be the plain purport of that language.

Apparently, from your formal testimony, you share my concern.

Is that a fair statement?

Mr. MALLOY. Mr. Poff, we do think this is a pretty stiff test, and it may be a perfectly appropriate test, and certainly has a lot of merit, but it has to be weighed in the light of other considerations, one of which we have brought to your attention.

But it certainly, in my judgment, is a feature of the bill that merits considerable attention by this committee. Certainly it has received a lot of attention from our people.

Mr. POFF. If you care to speculate—and I am sure the question I am about to ask would give you the license—why was the reach of chapter 17 circumscribed by confining the secrecy application to complete applications?

Mr. MALLOY. I would have to speculate a little, Mr. Poff, on that, but I would speculate that the problem of the mechanics of how to do it might have been quite important in people's minds, because undoubtedly, if this bill is passed, there will be quite a few preliminary applications.

There may be 50 per cent more than final applications, maybe a hundred percent more. I don't think anybody really knows.

But you would have to worry about how to do this kind of a review.

Certainly we are concerned about how to do it. Even though we are in large measure the guardians of the security of the country, we realize that we just cannot take untold numbers of people to review things that we think may have a minor result. We are talking really only about 3 percent.

In today's situation, where we review the final applications, it is only in about 3 percent of the situations that we find inventions coming in from the private sector that impinge on security.

Most of the security involved in patents stems from our own classified contracts, and we have contract provisions that require the con-

tractors to come to us and tell us about any patent application they are filing for work that stems from a classified contract.

So we are policing it from that end. Since only 3 percent is involved, I would guess that the problem stemmed more from: How do you do it?

In my judgment, this does need remedy, because, although I am concerned about how to do it, and the number of people that might profitably be put on this effort, the security aspects seem to me to be overpowering.

I might say also, Mr. Poff, speaking for the security people in the Department of Defense, that they must certainly have legislative authority to move into the situations which we know, at least.

I think this kind of an amendment can be made to the bill without raising new substantive problems in the private sector or raising fundamental issues of any kind.

It is a precautionary refinement that we are suggesting in the bill.

Mr. POFF. In other words, if this section of the bill would, in fact, work any administrative relief purpose, the value of such a relief would be far outweighed by the importance of continuing secrecy applications in all cases, which might potentially bear upon the security of the country?

Mr. MALLOY. That is correct, sir.

Mr. POFF. Do you or Mr. Nissel care to say how you feel specifically about the deferred examinations concept?

Mr. MALLOY. I would be glad to make a comment on that, Mr. Poff.

This feature of the bill does not directly impact on the Department of Defense. Whether there is a deferred system or a nondeferred system does not really cause this Department any great difficulty.

Mr. POFF. Insofar as it bears upon the validity and the quality of an invention, the Defense Department has some concern with it?

Mr. MALLOY. It certainly has an indirect impact.

I would answer, Mr. Poff, in this way: that it certainly has always appeared to me that the deferred examination system offers a new potential.

The difficulties with it are well known. The advantages of it probably are well known. But I happen to be, personally, in favor of the concept which is in the bill; namely, to not just enact a deferred system immediately, but to set up a legislative authorization to put it under a real live test, and in my judgment we really will not know all the answers until we put it under a real live test.

I know that this happens to be controversial in many quarters, and I suppose we could get varying opinions from informed individuals in any Department, particularly in the Department of Defense, but it is my judgment that the way it is set up in the bill is certainly the way that I would recommend to you.

Mr. POFF. I thank you, sir.

Now, you have testified that the Defense Department supports the bill. That says one thing. It is another thing to say whether or not you support the recommendations of the Commission.

Specifically, did the Commission make any recommendation which the bill omitted which you think the bill should have included?

Mr. MALLOY. I think, Mr. Poff, that the bill is remarkably close to the recommendations of the Commission. Certainly in all substantive ways, it tracks the recommendations of the Commission, and I really don't

think that it has departed from the recommendations of the Commission in any substantive way.

Mr. POFF. There are those who would disagree with that statement, and I believe if you carefully juxtapose each recommendation with the bill, you might change your answer, too.

Mr. MALLOY. Well, I did review, Mr. Poff, an analysis of the Commission's recommendations and the bill, I must say, roughly, a month ago. I wish I had read it yesterday. I would have refreshed my memory. But at that time I recall having the judgment that it did not track exactly, but was substantially similar.

I think there is one area which I mentioned in my statement in connection with the preliminary application. I think that the Commission had in mind a somewhat less stringent test for the preliminary application than is in the bill.

Other than that, I don't recall.

Can you recall any major item in the Commission report?

Mr. HELVESTINE. There was the rule of reason mentioned.

Mr. POFF. Recommendation XXII of the Commission was not included in the bill. Do you have any comments on that?

Mr. MALLOY. Mr. Poff, I would rather not comment on that, I think for the simple reason that I don't feel too comfortable or competent in this particular area.

Mr. POFF. Perhaps one of your associates would comment.

Mr. MALLOY. This involves antitrust matters. In our preparation for this hearing and in our analysis of the bill, we deferred to the Department of Justice and others on this point.

I will be glad to have my associates respond, if they care to.

I know that the Commission phrased its recommendation here very carefully, and I agree with the Commission's recommendation, in the sense that there is no basic inconsistency between a viable patent system and a viable antitrust system.

Other than that, I don't really, Mr. Poff, feel too competent to comment further.

Mr. POFF. Yet this is a difference in substance between the Commission's report and the bill.

Mr. MALLOY. I would accept your analysis of that.

I don't know whether I agree or not. I just would defer to others.

Mr. POFF. Of a somewhat different nature, the 25th recommendation of the Commission I believe was probably omitted. Do you care to comment on that omission?

Mr. MALLOY. Here again I would prefer not to comment, in that this is not particularly germane to the Department of Defense, and I really have not studied the matter enough.

Mr. POFF. Does Mr. Nissel care to comment?

Mr. NISSEL. No, thank you.

Mr. KASTENMEIER. The gentleman from Michigan, Mr. Hutchinson.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

Mr. Malloy, I have only one line of questioning and maybe only a single question.

When, under the present system and under the proposed system as well, are all of these applications for patents sent over to the Department of Defense for examination, for Defense security purposes?

Do you impose a secrecy order on them, and then what happens as a result of that?

Mr. MALLOY. Mr. Hutchinson, maybe I can explain the procedural steps we go through, and I believe that would answer your question.

First of all, we provide the Commissioner of Patents with a list of areas that are potential security problem areas.

The patent examiners, when they get an application, look at the application and arrive at a judgment as to whether the application seems to be in this particular area that we have identified as a potential security problem.

If it is, they notify the Department of Defense and AEC and NASA and others who are involved in this, and we then send patent attorneys and engineers to actually look at the patent application. These people are sworn to secrecy.

We also have in the Department an organization called the Armed Services Patent Advisory Board, which is made up of patent attorneys from each of the military departments that meet from time to time to exercise their judgment in this area.

So there is an orderly procedure, where there is a preliminary screening in the Patent Office to sort out the areas that are potentially sensitive, and then a specific screening of each application by our people at the Patent Office.

Mr. HUTCHINSON. And then if you determine that it falls within the area of secrecy, and you advise the Commissioner of Patents accordingly, does he just not issue the patent?

Mr. MALLOY. The way that works from that point, Mr. Hutchinson, is that the Patent Office will leave the application in the system, and it will go through the system and will be examined in turn, and a judgment will be arrived at in the Patent Office as to whether a patent should issue or not.

The applicant gets a notice of allowability, I believe they call it. The patent does not issue. The patent is suppressed. The applicant is told of the imposition of the security order, and what his obligations under the law are, and the patent processes through to either denial or allowance, and he is given a notice of allowability.

Subsequently, there is a review, as time goes on, to see whether the secrecy order can be lifted.

Once the secrecy order is lifted, the Commissioner of Patents, in the case of one that has been allowed, then issues a formal patent in the normal way, and it then runs for its full term of 17 years from the lifting of the security.

Mr. HUTCHINSON. And in the meantime, what are the rights of the man who would ordinarily be the patent owner, but has not got a patent yet?

Mr. MALLOY. Under the law today he may be paid by the Government in two situations. First, if this invention is one which the Government is using, he may come to the Government—and this is a frequent occurrence—and the Government will pay him a reasonable royalty for the use of his invention, even though the patent has not issued, and even though it is still under secrecy order.

In other instances, he may petition to the Government for damages that he might be able to demonstrate due to the suppression of his patent.

Mr. HUTCHINSON. Would that suit go into the Court of Claims?

Mr. MALLOY. I understand it could, if the administrative payment was not satisfactory.

Mr. HUTCHINSON. Thank you, Mr. Malloy.

Mr. KASTENMEIER. The gentleman from Delaware, Mr. Roth.

Mr. ROTH. I have one question.

Is there in your opinion an inconsistency between your proposal of the grace period and the right to have a secrecy order insofar as the preliminary application is concerned?

The reason I raise this question: You say that the purpose of the grace period is to promote the free disclosure. Are you not running the danger that possibly potentially valuable information to our Military Establishment might be disclosed at the first stage?

Mr. MALLOY. The question of imposing a secrecy order cannot be carried to hundred percent lengths. By that I mean we don't impose under our present system universal censorship, you might say, to review everything for security.

We have security rules, and it is only the man who proceeds inadvertently, or does not understand or know that it is sensitive, that would be publishing something that relates to security.

At some time the matter comes into the possession of the Government, and the only practical way to do it is at that point in time.

I suppose you might say that to the extent that there is a publication of something that we subsequently determined was sensitive, it would be a cat that got out of the bag, but we don't have a foolproof system that handles everything.

And I don't really think that the grace period is in any way inconsistent with the security requirements. As you well know, we have a 1-year grace period much broader than we are suggesting today. I don't think this would be a problem.

Mr. ROTH. Thank you.

Mr. KASTENMEIER. Thank you, Mr. Malloy, for your very valuable contribution, and that of your colleagues, as well.

Mr. MALLOY. Thank you, Mr. Chairman.

Mr. KASTENMEIER. Next the Chair would like to call Mr. Francis C. Browne, president of the International Patent & Trademark Association.

Welcome to the committee, Mr. Browne.

You may proceed, sir. I see you have a prepared statement.

STATEMENT OF FRANCIS C. BROWNE, PRESIDENT, INTERNATIONAL PATENT & TRADEMARK ASSOCIATION

Mr. BROWNE. Mr. Chairman and honorable members of the committee, my name is Francis C. Browne. I am a partner in the law firm of Browne, Schuyler & Beveridge in Washington, D.C. I am appearing before the committee, however, in my capacity as president of the International Patent & Trademark Association, at the invitation of the chairman of the subcommittee.

The association which I represent is made up of corporations, lawyers, and other individuals residing in the United States who are interested in promoting cooperation in patent and trademark matters on an international basis in the national interest of the patent and

trademark system, as provided by the Constitution of the United States of America, and as implemented by the Congress.

Our association is an autonomous body, but is affiliated with and cooperates with international organizations concerned with patent and trademark—or what is sometimes called industrial property—matters on an international scale.

In this respect we are sometimes referred to as the American Group of AIPPI, the letters AIPPI being an abbreviation of the French name of the International Association for the Protection of Industrial Property.

The international body was formed in 1897 primarily for the purpose of studying and making recommendations for the revision of the Paris Convention of 1883, the International Convention for the Protection of Industrial Property.

Individuals and corporate representatives from the United States participated in the activities of the international body from 1897 to 1930. Since 1930 our association has been organized and accredited as the American spokesman or the American Group of the international body.

We now have about 110 corporate members and about 480 individual members in our association.

The members of our association are apprised of the release of the "Report of the President's Commission on the Patent System" on November 17, 1966; and most, if not all, are aware of the introduction of H.R. 5924 by Mr. Kastenmeier on February 21, 1967, and S. 1042 by Mr. McClellan on the same date.

The scope and effect of the proposed revisions of the patent law as embodied in the report of the President's Commission and the aforementioned legislation are such that there has not been sufficient time for our association to formulate a position which would be sufficiently well developed to warrant presentation to Congress.

H.R. 5924 and S. 1042 had not been introduced at the time of our meeting in January of this year, and the matter is not yet ripe for debate and discussion at our forthcoming meeting in Boston next Tuesday, May 9, 1967.

We hope, however, to be able to submit the position of our association to your committee after our meetings in August and October of this year, but it is more likely that our position will not be established until our annual meeting in January 1968.

We respectfully request, therefore, that we be granted permission to submit our formal position for the record as soon as it has been formulated.

Meanwhile, I have been in communication with presidents of other national groups of the AIPPI, as well as the executive committee of our own association.

On the basis of these communications, I wish to make certain remarks for the record regarding the international implications of the proposed revision of our patent law.

You will understand, of course, that in limiting our comments to the international aspects of the matter we do not overlook, nor do we take a position with respect to the purely domestic aspects of the proposed revision of the law.

The President's Commission prefaced its report with the comment that its recommendations are intended, among other things:

> To make U.S. patent practice more compatible with that of major countries, wherever consistent with the objectives of the U.S. patent system.

The cover letter by which the Commission transmitted its report to the President stated that, to the extent that its recommendations would promote the attainment of this objective, they would assist in furthering the U.S. patent system "and contribute toward world peace and tranquility."

Some people may question, of course, whether or not patents contribute "peace and tranquility" to the industrial system.

We feel that the objectives of the Commission and the results of implementing those objectives by way of drastic changes in our domestic legislation can only be evaluated properly by careful and more extensive investigation of the facts concerning the harmony or lack of harmony which exists in the patent laws among the rest of the countries of the world.

The lack of harmony exists, first of all, in the distinction between the "examining" countries and the "registration" countries. Germany, Holland, England, and Japan, to mention a few, are examples of "examining" countries. France and Italy are examples of "registration" countries.

We are an "examining" country. So far as we can see, there is no tendency for us to depart from the examining system, yet chapter 18, sections 191 to 194, of H.R. 5924 moves in the direction of "registration" by providing for a "deferred examination" system. It even provides for filing a preliminary or informal application under chapter 11, section 111(c).

Another respect in which there is lack of harmony in the patent laws among different countries is whether a patent should issue to the first to invent, the first to import the invention into the country, or the first to file a patent application, or a combination of two or more of these criteria.

Since the proposed legislation moves in the direction of giving the advantage to the first to file, it moves in the direction of the principle in effect in a preponderance of the countries of the world.

It must be borne in mind, however, that there are exceptions to both the "first to file" and the "first inventor" systems.

The first inventor may obtain the patent in the United States under our present law only if he has met certain requirements and has sustained certain burdens of proof, if he is the juniormost in filing date.

In certain other countries the patent right granted to the first to file may have certain limitations, thus making his patent rights something less than exclusive.

In other words, no matter which system is adopted, there must be exceptions in the public interest, as well as the interest of those who possess a superior right in contemplation of the law.

The Paris Convention of 1883, to which reference has been made before, was intended to bring about international cooperation in the patent field, but it has really served to provide only two advantages.

Under its terms, the treaty requires the subscribing nations, first, to accord to nationals of the other subscribing nations the same treatment accorded its own nationals under its domestic patent laws, and

second, to allow its own nationals and the nationals of other subscribing nations a period of 1 year from the date of filing a patent application in one of the member countries to file corresponding applications in other member countries, and to give priority rights to such later filed applications as of the date of the first filed application.

If I may interject a footnote, here: Actually, our own requirements, as far as patent applications are concerned, are so strict that it is actually more difficult for a foreigner to apply for and obtain a patent in the United States than it is for the U.S. citizen to obtain one in a foreign country, because the requirements in most of the foreign countries, if not all, are less strict as far as the content of the specifications and formalities and that sort of thing are concerned than is our own Patent Office.

So, therefore, we are not violating the concept of the Paris Treaty by treating foreigners the same as we treat our own nationals, but foreigners treat our nationals better than we treat our own nationals and foreigners here.

These advantages, of course, could be provided unilaterally. In fact, some countries, such as Argentina, did not adhere to the Paris Convention for many years, on the ground that they already accorded to foreigners the same priority rights they accorded their own citizens.

Since their own citizens did not file many applications abroad, they did not feel that the priority right was sufficiently important to their citizens to warrant adherence to the treaty.

Just within the past year, however, Argentina has adhered to the Paris Convention, and other Latin American countries have adhered, or are considering adhering to the treaty.

The layman who has never been exposed to patent matters is often surprised to learn that there is no such thing as an "international patent." He is even more surprised to learn that the cost of filing patent applications and maintaining patents in force, country by country, constitutes a substantial initial and continuing outlay of funds over and above the cost of filing and obtaining a patent on an application filed in his own country.

There is no doubt that the President's Commission Report and H.R. 5924 are intended to pave the way for some form of "international patent," or at least an international filing system, as a means of improving the administration of the patent system internationally.

I would like to interject another footnote at this point: That is that there are three things that are currently underway on an international scale, in the direction of international cooperation, international patents, and the like.

In the first instance, the Secretariat which administers the Paris Convention has undertaken a proposal which was initiated actually by the U.S. delegation to the Paris Convention, to provide a system for filing a single international application, which then would be fanned out to the countries in which the applicant elected to have protection.

That is under active consideration at the present time. It would probably require a protocol or perhaps a revision of the Paris Convention for all of the member countries to adopt this type of international filing system, so it is still in its formative stages.

Another respect in which there is international cooperation and an effort to bring people into the fold, so to speak, of the industrial prop-

erty system, who are not presently in the fold, is the establishment, under the auspices of the Paris Convention and Berne Convention Secretariat, of an international patent organization.

It would be sort of a general forum in which all of the countries of the world would be invited to participate, whether they adhered to any international treaty relating to the patents or not.

There are arguments pro and con on that particular topic, but that is going to be the subject of one of the items on the agenda of the Diplomatic Conference which will take place in Stockholm in June and July of this year, so it may be a reality before the end of the year, if the Goverments decide that that sort of plan should be adopted.

The third thing included under my footnote of things that are already underway, that are of concern to us, is the efforts that have been made in the European countries, particularly the Common Market countries, to come up with a Common Market patent.

And since adherents to the Paris Convention are obligated to give nationals of member countries the same treatment they give to their own, they are encountering difficulty in adopting a Common Market patent which would be limited to nationals of the Common Market countries.

So we in the United States have been strongly arguing that almost any Common Market patent, any regional patent arrangement, must provide for accessibility by U.S. nationals, otherwise we would contend that it is in violation of the undertakings of the Paris Convention.

That is all my footnote. That was a rather large one.

Now, whether or not the international system that we are talking about is in our long-range national interest can be determined only after we have had full opportunity to compile a record based on the experience of patentees, businessmen, lawyers, and Government representatives in the international patent field.

This information, taken together with the experience and observations of their counterparts in foreign countries, will afford a sound basis upon which to make a judgment as to the direction the changes, if any, in our present law should take.

Almost everyone agrees that it would be unwise for us to harmonize our laws with the laws of the rest of the world just for the sake of harmonization.

It should not be forgotten that our patent system has been compatible with the patent systems of the other countries of the world at least since 1836, which was about 50 years before the Paris Convention was adopted by the various nations and adhered to by the United States.

Canada has fashioned its patent system after ours, and, to a great extent, so has Japan.

On the other hand, it appears that the efforts of the Scandinavian countries, the European Common Market countries, and the Council of Europe have been unable to come up with a mutually acceptable patent law on a regional international basis.

As laudable as the intent of the U.S. Government may be to reach a patent utopia, it is not likely that anything approaching that objective may be attained without the benefit of the advice and experience of those who work with the patent system outside the Government as well as within.

If the end product of this cooperative effort is to bring the laws of the United States into closer harmony with the laws of some other countries whose economic, political, and social policies and objectives are consistent with ours, no harm would be done.

We must not, however, yield on any matter of principle or succumb to the temptation of doing something for the sake of expediency, even if it means moving in a direction opposite that of harmonization.

It is true, as the President has stated in his letter transmitting this proposed legislation to the Speaker of the House:

> As the world's library of scientific and engineering information increases and as inventions become more complex, conventional information retrieval systems are becoming roadblocks to rapid and effective patent searches. These roadblocks must be eliminated through expanded research and development and increased international cooperation.

Much of this objective could, of course, be obtained by starting with our own system and improving its administration and operation.

Since we, as a nation, are probably the largest contributor to the worldwide fund of technical information, we have the greatest incentive to overcome any roadblocks in the way of our technological and economic progress.

We should carefully consider the results of the long and intensive studies of the patent system made under the McClellan committee and its predecessor, the O'Mahoney committee.

Neither should we overlook the writings, both critical and complimentary, of patent experts throughout the world.

In particular, I hope that there will be sufficient time before this subcommittee acts on the proposed legislation to communicate to you a summary of the comments which I expect to receive from my correspondents abroad during the next few months.

One last footnote: That is, I have actually had a note from one of my correspondents abroad who wondered whether it would be impertinent if he asked for permission to appear before this committee or a corresponding committee of the Senate to give his views on the proposed legislation.

I talked with the counsel of the committee and communicated to this gentleman that he should address such request to the committee, and personally, I did not think it would be at all impertinent.

I think we might learn something if we would hear from what some of the people in the foreign countries have to say about the effect of proposed legislation of this nature on their actions in the United States.

I wish to thank the chairman and the members of the subcommittee for the invitation to appear, and I would be pleased to answer any questions you may have, if I am in a position to answer them.

Mr. KASTENMEIER. Thank you, Mr. Browne, for your appearance here this morning.

I appreciate the difficulty that your and other associations may have in reaching conclusions as of an early date.

Without making any prediction about where this subcommittee will be, procedurally, in August or in January of next year, assuming our hearing record is still open, we will be pleased to have a further statement from your organization for the record, or, if it is indicated, to hear from you further on this at an appropriate date.

And I think it is worth considering that we might perhaps have persons from abroad representing various interests submit their points of view to this subcommittee.

I might, however, observe at the same time that from the correspondence I have had in the last 6 weeks there have been a great many patent attorneys who have not deferred examination of this bill, and their point of view is quite well expressed as of the present date.

Might I ask: Has your own organization, the International Patent and Trademark Association, in the past, before the President's Commission acted, taken a position as to what reforms in the present system might be desirable?

Mr. BROWNE. The major function of the international association with which we are affiliated, and to a great extent our own association, has been to analyze and consider the provisions of the Paris Convention itself, and naturally, as an American group, any proposed revisions were looked at from the standpoint of their effect on the U.S. situation.

Therefore, we have not really looked at anything by way of a fundamental change in the U.S. law with a view to coming up with any position recommending either for or against the changes in the law as it now exists.

We are highly conscious, however, of the fact that there are fundamental differences between our law and the law of other countries, but actually our organization ordinarily has been meeting only about twice a year. The international association has its congresses once every 3 years, so generally speaking, there has not been much attention directed to domestic matters, but rather to considering treaty matters.

Mr. KASTENMEIER. You indicated that in the United States we do not treat foreigners, or even our own nationals, as well as certain foreign countries do. Implicit in that remark, I gather, is the hope that perhaps we would treat our own nationals and foreigners as well as other countries do.

Or do I misunderstand you?

Mr. BROWNE. Well, if I may express my personal view, I think our own Patent Office is hypertechnical too often.

I have heard that same criticism, in much stronger terms, from foreign associates.

Mr. KASTENMEIER. As far as the President's Commission on the Patent System is concerned, did you find represented on the Commission the international point of view that your association generally has?

Mr. BROWNE. There is no question that people like Mr. Birkenstock and some of the others, whose connections are naturally of an international character, I am sure injected some international thought into it, and the Commission's report itself, of course, recommendation No. XXXV, clearly was aimed in the international direction.

And that is why I said in my prepared statement that I believe that the Commission report, as well as this legislation, is intended to pave the way for much broader and more intricate international cooperation in the field of issuing patents.

As far as enforcement of patent rights, or what happens to the technology after the patents expire, I must say I was disappointed that the Commission report did not go more into depth in those regards, and the legislation obviously falls short in that same respect.

Mr. KASTENMEIER. In what respect, for example, does the report or the legislation fall short in enforcement?

Mr. BROWNE. With regard to the enforcement, the whole problem of patent litigation is so complex that I don't think it would be fair to expect a Commission such as the President's Commission, within the short time that it came up with its recommendation, to have gone into all the aspects and to have come up with any meaningful changes in the manner of handling complex patent litigation.

Now, they have proposed here this idea of establishing commissioners. Well, that is not too far afield from what is already permitted under the Federal rules—the appointment of masters—and it is just a question of who is going to bear the cost.

Is the Government going to bear the cost of litigation by furnishing Government-salaried commissioners, or are the parties going to have to bear the cost by agreeing on the appointment of a master?

So it does not really get to the real heart of: What is it that you are going to litigate about?

Right now, most of the litigation centers around the claim structure, the semantics, the prior art, which may not have been cited by the Patent Office during the prosecution.

The statute says the patent is prima facie valid, but the courts throw over the Patent Office ruling with impunity whenever they see fit.

But if the Patent Office refuses to issue a patent, and you go to the district court in an action de novo to try and get the patent issued, they attach a presumption of correctness to the Patent Office ruling—that the Patent Office was correct in refusing to issue a patent.

But once the Patent Office issues a patent, they throw aside that presumption, notwithstanding the statutory provision that a patent is prima facie valid.

So there is a whole area, it seems to me, that, when you get into the courts, whether it is with regard to the obtaining of a patent which you think you are rightfully entitled to, or enforcing a patent which you think you have, and only wake up to find that you don't have what you thought you have—that is a whole area that needs to be developed much more extensively than either the Commission report or the legislation has developed it.

And last, I think there have been discussions in years past about some way of, you might say, reviving what appears to be obsolete technology.

Now, there is a lot of technology in the expired patented art, which nobody is going to invest money in and try and set up a business, even though the product or process may not be available to the public today, but they are not going to invest in it unless they have some assurance of exclusivity at least for a limited time.

And that is particularly a problem in the developing nations on the international scale, and that is why some of them don't want a patent system now, because they say, after all, this technology is so far advanced that it is not likely to be utilized in our economy, but there is a lot of expired patented art which could be utilized in our economy, if there were some sort of exclusive franchise provided for a limited time, to encourage investment.

So those are the three aspects which I think need to be explored further, and I certainly hope that the Congress, in fulfilling its role, would be the one to do it.

Mr. KASTENMEIER. Are these three areas on which you might expect your own association to comment more fully at a later date?

Mr. BROWNE. I would expect them to do so; yes.

Mr. KASTENMEIER. Thank you very much, Mr. Browne.

Mr. Poff?

Mr. POFF. Thank you, Mr. Chairman.

Would you say section 102 in the bill moves in the international direction?

Mr. BROWNE. I am used to the old numbers.

Mr. POFF. This would be compared really to the old law, which has a similar No. 102.

Mr. BROWNE. Now, if I may hear your question again?

Mr. POFF. My question was: Do you think that section 102 in the bill moves in the international direction?

Mr. BROWNE. Yes; to the extent that it certainly eliminates the grace period, that is more nearly like more of the foreign countries, although they do provide exceptions.

We still adhere, under 102 and under our present patent law, to the constitutional provision that Congress may secure to inventors the exclusive rights to their discoveries for limited times.

We still adhere to the idea that the inventor is the key man here, whereas in most foreign countries very little importance is attached to who the inventor is. They are interested in the technology that is embodied in the patent.

Mr. POFF. My question really was keyed to the question of prior art. In that particular, do you think section 102 moves in the international direction?

Mr. BROWNE. Well, as far as the examining countries are concerned, of course, that is what you are concerned with; is it not? In registration countries, it is of no consequence.

In the examining countries I cannot see much difference between our present law and this proposal and what the examining countries are doing, such as Germany and Holland and Japan and England, for example.

Mr. POFF. But as you said in your testimony, the United States is an examining country.

Mr. BROWNE. That is right.

Mr. POFF. And under the present law, section 102 does not define a device which is known or used abroad as prior art unless it has been published.

Mr. BROWNE. This is the so-called universal novelty versus national novelty.

That is quite a subject for debate from country to country. It is not settled among the countries themselves, although the predominant rule in that knowledge anywhere will bar patenting in that country.

Now, our citizens themselves are somewhat up against it in foreign countries, because we may go ahead and put an invention into public use in this country before we file, because we have the grace period.

There are certain countries of the world where that action will bar you from subsequently obtaining the patent in the other country, even

though you do file your U.S. application within the terms of the U.S. law, and you file within a year, under the Paris Convention.

Mr. POFF. Let me see if I understand you.

Did you say that although the matter might have novelty in this country, if an inventor in this country makes an application for a patent, and there is no novelty, we will say, in some foreign country, the patent will not issue?

Mr. BROWNE. If he has made a public use in the United States before he files his U.S. application, he would be barred.

Mr. POFF. But let us assume that he has not. The patent would issue, would it not?

Mr. BROWNE. If he has not made public use or publication prior to his filing, then he looks to the Paris Convention for his protection for 1 year in which to file abroad.

Public use or publication during that period would not bar the issuance of the foreign patent.

Mr. POFF. I am not asking about the foreign patent.

I am afraid I am not making myself very plain.

The law today in section 102 would not foreclose the right of an American inventor to a patent simply because his idea has been known or used in a foreign country. Is that true, or correct?

Mr. BROWNE. That is correct.

Mr. POFF. Now, is the same thing true with respect to section 102 of the bill?

Mr. BROWNE. Section 102 of the bill says that there is a bar if, prior to the effective filing date of the application, the subject matter sought to be patented was known to the public.

Now, that I believe is construed as meaning the public in the United States.

Mr. POFF. I believe you are mistaken.

Mr. BROWNE. I don't have the text of 102 under the present statute with me, to compare the language. I believe the word "known" is the same.

Mr. POFF. I may be mistaken. I have been before, and will be again, but I believe that the sweep of section 102(a) is worldwide.

Mr. BROWNE. I would have to compare the text of the two sections, first, to be able to answer your question.

Does anyone have a copy?

Mr. POFF. I am sorry. Here [handing document to the witness].

Mr. BROWNE. Yes, 102 of the present act has the qualification: "The invention was known or used by others in this country."

Mr. POFF. Yes, or published abroad.

Mr. BROWNE. In this or a foreign country.

Now, those words have been omitted.

Mr. POFF. They have, and would not a court, in construing that provision and that change give significance to it as indicating a purpose to remove geographical limitation?

Mr. BROWNE. I think the Patent Office would argue that it did permit a showing of knowledge elsewhere in the world to be a bar.

Mr. POFF. Yes, sir.

Thank you.

Mr. KASTENMEIER. The gentleman from Michigan?

Mr. HUTCHINSON. Mr. Browne, I was interested in your remarks about patented ideas which have fallen into the public domain, where

the patents have expired, and the interest that certain developing countries might have in that technology.

Would it not be possible for such a developing country to, by its own patent law, grant a patent in such an idea within its country for a limited period of time?

Mr. BROWNE. Very much so.

Mr. HUTCHINSON. Then why should it be a concern of the Congress of the United States to try to revive those old patents? Why should it not be the concern of the developing country that is interested in affording the exclusivity that is needed, because that idea can still contribute to its own development?

Mr. BROWNE. I think we get the indirect benefit, though, by encouraging small countries to be more self-sustaining, and if they can utilize the patent system as a means to be more self-sustaining, it decreases the economic burden on the United States to have to do that.

Mr. HUTCHINSON. You mean that we have some kind of a role in encouraging them to set up a patent system of their own?

Mr. BROWNE. I think so.

If we think that the patent system is a useful thing domestically—and we think the patent system is a useful thing for the United States on an international scale—then I think we also (there may be exceptions), but we would also find it good to encourage all countries of the world to adopt a patent system, if they do not already have one.

Mr. HUTCHINSON. What should be the form of our encouragment?

Mr. BROWNE. By international consultation, I would say, to which these countries would be invited and could participate in learning something about the patent system and how it operates and how it could operate in their economy.

Mr. HUTCHINSON. Specifically, though, with regard to these expired patents, it would include some kind of a revival of them within our own patent system?

Mr. BROWNE. Well, there could conceivably be an international patent arrangement, so-called, where a national of one country could obtain a patent in the other country on the basis of something that has expired in the originator's country, but on which there had never been a patent in the new country.

Do you follow me?

So that you would have to have an international arrangement to accomplish that.

Mr. HUTCHINSON. Yes. So that the national of the new country might possibly get the idea patented in his new country, and then, by reason of some international arrangement, also be able to file again a claim of patent within the United States. Is that right?

Mr. BROWNE. If the United States thought that was going to be in our international interest to do so.

Mr. HUTCHINSON. Thank you for developing that thought with me.

Mr. BROWNE. There is a concept which is in vogue right now in many of the Latin American countries, particularly, and is also true in Belgium, that you can obtain what they call a confirmation patent.

In other words, after patents have issued in other countries, you may then obtain a patent in the confirmation patent countries, which would have the same force and effect as if you had filed it originally there, but it would be only for the term equal to that of the first to expire of the corresponding patents in other countries.

So that what I am talking about here is an extension of the confirmation patent concept. The mere fact that a patent issues once does not close the door forever.

There should be some thought given to expansion of the industrial property system.

Mr. HUTCHINSON. One other question I have, Mr. Browne, and this is a matter relating to the history of our own patent system, which I am not too familiar with, and if you would care to respond to it or not is up to you.

I have been told, or have read some place, that up until the latter part of the 19th century we actually had a first-to-file system in our own country, and then we adopted this first-to-invent concept.

Am I correct in that?

Mr. BROWNE. I cannot answer that right offhand.

The 1836 act I believe would be the one to have effected the change.

Mr. HUTCHINSON. So if it was true that we at any time had a first-to-file concept, it was prior to 1836?

Mr. BROWNE. That is my understanding.

Mr. HUTCHINSON. And you would not know, from your knowledge of the history of the thing, as to why the first-to-file concept was rejected in the United States 125 years ago?

Mr. BROWNE. No. The legislative history of the 1836 act might bring that out. I have never checked that point.

Mr. HUTCHINSON. Thank you.

Mr. POFF. I wonder if there might not be some parallel between that and the concept of copyright.

Mr. BROWNE. First-to-file?

Mr. POFF. No, first-to-invent and first-to-copyright.

In other words, a copyright is a copyright when it is created, even if it is unpublished, and even if there is no application for governmental protection.

Mr. BROWNE. When you go to the constitutional basis, the basis is the same.

Mr. POFF. Yes. Conceptually, I wonder if there is a parallel. I don't know.

Mr. BROWNE. The purpose, of course, is to encourage publication, however. In other words, the copyrightable matter which is maintained in unpublished form has not carried out the constitutional purpose, and I would say that philosophically, anything that can be done to encourage early filing should be done, to carry out the constitutional objective, and not only early filing, but publication.

Those two are parallel.

Mr. KASTENMEIER. The gentleman from Delaware?

If there are no questions, the committee desires to thank you, Mr. Browne, for your contribution.

This concludes the hearings this morning.

The next hearing will be held in this room at 10 o'clock on May 11, a week hence, at which time we will hear from Prof. John Bardeen, University of Illinois Department of Physics, and Mr. J. W. Birkenstock, vice president of IBM, both having been members of the President's Commission.

Until that time, then, the committee stands adjourned.

(Whereupon, at 11:30 a.m., the committee adjourned, to reconvene at 10 a.m., Thursday, May 11, 1967.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, MAY 11, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:10 a.m., in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel, and John W. Dean III, associate counsel.

Mr. KASTENMEIER. The subcommittee will come to order for the further consideration of H.R. 5924, the Patent Reform Act of 1967.

We are very pleased to have as the first witness this morning Prof. John Bardeen, Department of Physics, University of Illinois, who was a member of the President's Commission on the Patent System.

Professor Bardeen, if you will come forward, we would like to hear from you.

STATEMENT OF PROF. JOHN BARDEEN, DEPARTMENT OF PHYSICS, UNIVERSITY OF ILLINOIS

Mr. BARDEEN. Mr. Chairman and members of the subcommittee, I appreciate the opportunity to present my views on the Patent Reform Act of 1967.

As you just stated, I am professor of physics and electrical engineering at the University of Illinois, Urbana, and have served as a member of the President's Commission on the Patent System.

I have had experience in industrial and government laboratories as well as universities. While I have been involved in a few inventions, one of which turned out to be quite important, my main activities have been in science and I speak primarily as a scientist rather than as an inventor.

The patent system, I believe, has played an essential role in the development of science and technology in this country in promoting free exchange of scientific and technical information, in rewarding innovation, and in giving protection to permit investment for development and marketing of inventions.

Patented products of our technology have been an important part of our exports and balance of payments. The revisions of the patent laws proposed in the patent reform bill should help strengthen the patent system in both this country and abroad. I fully support them.

The advantages of going to a first-to-file system have been discussed by several witnesses before this committee and I will not repeat them here.

It has been my good fortune to be able to follow rather closely two areas that have had a remarkable development during the past 15 or 20 years. One is solid state electronics following the invention of the transistor and the other is xerography.

Since 1952, I have served as a consultant to the Xerox Corp. and more recently have served as a member of its board of directors. Thus, I have been able to see at first hand how the patent system serves to promote the introduction of new technology.

My activities at the University of Illinois during the past decade have been mainly in the physics of very low temperature phenomena in which I have been concerned with basic science rather than applications.

The views I express here are entirely my own and do not necessarily reflect those of any organization with which I am connected.

I would like to discuss briefly a few aspects of the patent system which I believe are particularly important for the scientific community:

(1) Role of patents in promoting exchange of scientific and technical information.

(2) Patents themselves as a source of technical information.

(3) Grace period and preliminary application.

To illustrate how diffusion of technical information is promoted by the patent system, it may be of interest to review the case of solid state electronics. In this area, the United States has maintained world leadership important for military and space as well as commercial markets and exports.

The invention of the transistor was done at the Bell Telephone Laboratories jointly with W. H. Brattain and W. Shockley in December 1947. Although it was obvious that a new field of enormous potential was being opened up, the management wisely decided to file patent applications and to publish promptly in the scientific literature rather than to hold it secret. The first publication in June 1948 occurred within 6 months after the invention.

The science of semiconductors, on which the invention was based, was then a small field in which only a small number of industrial and university laboratories was engaged. Licenses were soon given to about 40 companies, now increased by many more. Educational programs were set up for licensees as well as engineers and scientists from Government and industry.

I was in charge of one such school in the summer of 1953 at the University of Illinois where we had people attending from all over the country. New research programs were started at many laboratories, both industrial and university. In a few years, semiconductors became one of the most popular fields of physics. Many students trained at our graduate schools have gone on to carry out further important developments. All of this activity has given a broad base for exploitation of the field.

Once patents have been applied for, new innovations are freely discussed in the technical literature and at scientific meetings. Scientists and engineers from many companies contribute importantly to the

progress made. It has been the protection afforded by the patent system that has allowed this free exchange of information instead of secrecy. This exchange has been essential for the rapid exploitation of this important new technology.

The Xerox Co. illustrates how the patent system allows a small company to grow big and strong. Without the protection of the patent system, the company would not have spent the large sums required to develop and market the process. The company has continued to plow a great deal of its earnings back into research and development of new products.

The relatively rapid disclosure of scientific and technical information of the sort we have discussed applies in some but not all areas of our technology. For example, in chemical process technology, considerable art may be involved and broad patent protection is difficult so that secrecy may be relied on or if patented, there are no publications aside from the patents themselves. The advance of such fields is handicapped if publication of patents is unduly delayed.

Much can be done to make the patent literature itself more available as a source of scientific and technical information. Required are classified patent libraries in areas other than Washington, improved classification, better duplicating facilities.

An abstract written in technical language and to be used for reference purposes only, as recently instituted by the Patent Office, should be a great help. Mechanized search methods now being used in some chemical areas may be expected to expand in the future and be of aid both to the examiners and the general public in retrieval of patent information.

The most important innovation in the patent reform bill under discussion is to go over to a first-to-file system and to eliminate the 1-year-grace period. This last provision has been of concern to academic scientists. The bulk of research in universities is supported by Government contract.

There may be minor patent implications in papers written to describe advances in science. At present, publication goes ahead without delay and the agency sponsoring the research has the year of grace to decide whether or not to follow up on the patent.

Of course, if there is really an important invention for which foreign filing may be desired, publication is withheld until an application is filed. But this latter situation is exceptional, so that ordinarily publication proceeds without delay.

There is concern that if the grace period is eliminated, the agencies would require prior clearance, with consequent delays. While a delay of, say, 6 months may not seem serious, actually it is because such delays are cumulative. The pace of science is such that research done in one place today may depend on the results obtained in a different laboratory in another part of the world only months before. Anything that hampers free exchange of scientific information tends to slow the whole pace of scientific discovery.

Another group that now makes use of the grace period is the independent inventor or small businessman who wants to market test his invention before proceeding to the expense of getting a patent.

The Commission felt that a grace period is inconsistent with a first-to-file system and recommended instead a preliminary application

that could be filed easily and inexpensively, to be followed later if desired by a complete application. While the preliminary applications may cause some problems, I believe that with experience the Patent Office can work out forms and procedures to make it an important and useful adjunct to a first-to-file system.

I am told that provisional applications have been used successfully in Great Britain. If the preliminary application is not retained in the legislation, I would recommend some sort of personal grace period to take care of the needs of the academic scientist and the small independent inventor.

In my experience, most scientists and engineers familiar with the operation of the patent system feel that there have been far too many patents issued for trivial improvements or modifications well within the state of the art. Many of these are later thrown out by the courts, others may be enforced because no one wants to go to the expense of challenging them.

Many marginal patents are now filed by industrial companies largely for defense purposes; if a patent is to be issued on a given innovation the company wants to have it. Otherwise, it may be faced with royalty payments or expense litigations to have the patent declared invalid.

With a first-to-file system and the elimination of the year of grace, publications and public use will be more effective ways of obtaining defensive protection than is now the case.

One would hope that companies would tend to file only on the more significant inventions, thus raising the overall quality. The preliminary application could be used in marginal cases where more time is desired to decide whether or not to file a complete. Some feel that prior user rights would help, since a company would not be barred from using its own invention by issuance of a later filed patent to another party. The Commission felt, however, that patent rights should not be diluted by a prior user who failed to file, and that publication and public use should be sufficient protection.

The proposed legislation contains several provisions for raising the quality of issued patents. Perhaps most important is to maintain and raise the quality of the examining staff. Examiners are highly trained professional people, doing a difficult job, and should be treated as such in both salary and working conditions.

Compared with the vast sums spent by the U.S. Government on research and development, the cost of operating the Patent Office is minuscule.

I hope that whatever features are adopted in the final legislation the budget will be adequate for carrying out its ever-increasing tasks so important to our economy.

That is the prepared statement.

Mr. KASTENMEIER. Thank you, Mr. Bardeen.

I have only two or three questions.

I assume that you support not only your Commission's report but the bill that grew out of it.

Mr. BARDEEN. Yes.

Mr. KASTENMEIER. One area I was not quite clear on is whether you feel that preliminary application and a personal grace period are compatible; that is, that you could have both in the same bill.

Mr. BARDEEN. I think you could have both; yes. I think that could be a possibility. I think that one or the other is essential, but both might also be desirable.

Mr. KASTENMEIER. Would both be more desirable, in your view, than solely the preliminary application?

Mr. BARDEEN. I think that a personal grace period might raise a few problems and have not thought it through too carefully.

For example, if a publication is made which describes an invention but not very explicitly, just gives some indications, and then someone else comes in subsequently with——

Mr. KASTENMEIER. I ask this in part to see whether your views are in accord with another renowned member of the scientific community, Dr. Hornig, who testified before us. He suggested that it might be possible, for example, to provide an inventor with a personal grace period during which an inventor's own uses or disclosures of an invention would not prejudice the grant of a patent to him. Dr. Hornig felt that this would not in any way be inconsistent with the first-to-file system of priority.

Would you agree with that?

Mr. BARDEEN. That is certainly not inconsistent with the first-to-file. As I say, there might be some problems which arise with it but I think it certainly could be done. I think the scientific community would feel easier because it would facilitate publication as the grace period does now.

Mr. KASTENMEIER. Another area in which Dr. Hornig indicated some reservation about the bill was section 106 which denies patentability to computer programs.

I wonder whether you have given this any thought and whether you would agree with him insofar as he suggests that there are difficult questions of philosophy as well as practicability involved in the patentability of computer programs and that the subject presents a substantial problem of precise definition.

You appear to suggest that because of complexity of this matter the committee may wish to consider whether section 106 is adequate and whether as a matter of fact we might defer the question.

Mr. BARDEEN. I think that is an important question and is one of concern to the scientific community. Many present inventions, particularly those based on electrical circuits, can now be programed for a general purpose computer. General functions can be carried out by a general purpose computer that in the past would be done by specialized circuits.

Thus many of the sorts of things which are patented now might, some people feel, be excluded as time goes on and more of the functions are carried out by general purpose computers.

My feeling is that the general purpose computer will be used a great deal for the design of hardware in the future. Instead of setting up a circuit on a breadboard, the functions are carried out by programing a general purpose computer and all testing done with the computer.

My feeling is that if the hardware designed by the general purpose computer has some unique advantages so that it would be useful to have the hardware itself, then it should be patentable but not if the main function would still be carried out by general purpose computers. There is some place where the line has to be drawn.

Mr. KASTENMEIER. Is it your feeling, then, that section 106 as written in this bill may presently be adequate but in the future may possibly not be, depending on the state of the technology?

Mr. BARDEEN. I was pleased with the wording. I think it is very difficult to draw up the proper language because there is a kind of gray area and it is difficult to define precisely what is a program and what is hardware. I thought the language was well chosen in the bill. But, as time goes on, this may require modification.

Mr. KASTENMEIER. Thank you, Dr. Bardeen.

The gentleman from California, Mr. Edwards.

Mr. EDWARDS. Dr. Bardeen, one of our recent witnesses, also an inventor, suggested that the Government ought to limit itself to improvements in the Patent Office, itself, and not substantially change the patent law. It was his opinion that the existing patent system works very well and that it should not be tampered with at the present time.

Do you disagree with this?

Mr. BARDEEN. I disagree that it has been working well. This is, of course, a matter of degree.

As I said in my statement, I think that in the past it has served us very well but I think there are increasing problems coming up with the complexity of technology and more sales made on an international basis. Companies are involved more in international sales where they have to get patent protection in countries abroad.

I think anyone who reads, say, the proceedings of the 175th Anniversary of the Patent Office, at which many people had a chance to speak their piece, will find that there are a lot of problems in the current patent system.

What the Commission tried to do was to adopt a system which would retain the advantages of our present patent system and at the same time make it more compatible with the patent systems abroad. I think we have succeeded in proposals along this line.

Mr. EDWARDS. Thank you, Dr. Bardeen.

That is all, Mr. Chairman.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. Mr. Chairman.

Mr. Bardeen, I am not quite sure I understood the thrust of your answer to the first question propounded by the chairman. I understood you to say that you support both the Commission's recommendations and the bill, itself.

Mr. BARDEEN. Yes.

Mr. POFF. Dos this mean that insofar as the bill does not contain the recommendations of the Commission that you prefer the recommendations of the Commission to the bill?

Mr. BARDEEN. I think the recommendations in the bill followed fairly closely the recommendations of the Commission except in a few cases. I think in those cases where they differ I would follow the Commission.

Mr. POFF. You are interested, of course, in public access to new information.

Mr. BARDEEN. Yes.

Mr. POFF. And this is one of the prime functions of the patent law and its chief justification.

Mr. BARDEEN. Yes.

Mr. POFF. Do you believe that the preliminary application procedure promotes that cause rather than the grace period procedure?

Mr. BARDEEN. I think the grace period as far as the academic scientist is concerned performs that function very well. If you go to a first-to-file system, you can't use the grace period as we have used it in the past. It is a question of balancing the benefits of going to the first-to-file system with the other problems. I would say the grace period is one of the benefits which we have presently in our present patent law which they don't have abroad. I think we do have freer exchange of scientific information in this country than abroad at this time and I think that has been an important factor in the healthy state of technology in this country. They talk about the technology gap between here and Europe. I think this might be one factor.

Mr. POFF. Isn't it true that most nations have the first-to-file system now, and if this is true have you not been somewhat inconsistent in the answer you have just given?

Mr. BARDEEN. I believe that the preliminary application which is something they don't have abroad, if it could be worked out (and I believe it can be although there are problems involved in it), would take care of this problem. It would be something which the scientist and engineer would prepare largely himself; it could be reviewed by the patent attorney and sent in rapidly so that it would not delay publication.

So, with the preliminary application, I think we can retain the benefits we now have in our system with the grace period but without the preliminary application. Thus I am not worried about it. I think the personal grace period would also help in this regard; it is also something in general they don't have abroad.

Mr. POFF. To what extent do you thing the preliminary application should disclose the details of the invention?

Mr. BARDEEN. Well, it should be complete enough to support at least some of the claims in the complete application. Any claim in the complete application which you want to rely on for the priority date of the preliminary application should be supported by that preliminary application.

The preliminary application would only be used essentially to determine priority, to be used in cases where there are now interferences.

If different inventors submit applications and there is some conflict in the claims, then one would go back to the preliminary applications to see who was really the first to file. The information should be, I believe, sufficiently explicit and complete to support the claims.

This does not mean that all claims in the complete would have to be supported by the preliminary, but all those relied on for a priority date would have to be.

Mr. POFF. Some witnesses have been concerned about the language of section 120 which requires that the preliminary application must disclose sufficient information to enable any person skilled in the art to make. Just the same, they feel that that language in context with the other language in section 120 would require a disclosure as broad as the disclosure required in the complete application and this might make the procedure functionally unworkable.

Do you have an opinion on that?

Mr. BARDEEN. I think that that is a problem. If the disclosure has to be as complete as in a complete application, and has to be written by a patent attorney (and I understand most patent attorneys consider claims when they are writing out the disclosure), there would be no advantage over just filing a complete application. It would work only if it is possible for the technical person himself to be largely responsible for preparing the preliminary application.

I would think that the preliminary would be used mainly in marginal cases.

If you have a really exciting discovery, really important application, you would not go to this route; you would go to the complete application directly. But other cases, I think, could be handled by a preliminary application.

I would gather that the Patent Office would put out brochures which would indicate what would have to be included in the preliminary application, instructions for writing and things of that sort.

I think that there are problems but I feel that they can be worked out to make the preliminary a useful adjunct to a first-to-file system, as I said in my statement.

Mr. POFF. Thank you.

Mr. KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. No questions.

Mr. KASTENMEIER. Mr. Roth?

Mr. ROTH. No questions.

Mr. KASTENMEIER. No further questions.

The committee thanks you, Dr. Bardeen, for your appearance this morning.

Mr. BARDEEN. Thank you.

Mr. KASTENMEIER. Now, the Chair would like to call Mr. James W. Birkenstock, also a member of the President's Commission on the Patent System.

We welcome you, Mr. Birkenstock.

You may proceed, sir, as you wish. Please identify the gentleman accompanying you.

STATEMENT OF J. W. BIRKENSTOCK, VICE PRESIDENT, INTERNATIONAL BUSINESS MACHINES CORP.; ACCOMPANIED BY DEWEY CUNNINGHAM, PATENT COUNSEL FOR INTERNATIONAL BUSINESS MACHINES CORP.

Mr. BIRKENSTOCK. Gentlemen, on my left is Mr. Dewey Cunningham, a patent counsel for the IBM company.

Mr. Chairman, gentlemen, I appreciate very much the opportunity to be here today to testify in support of the Patent Reform Act of 1967, H.R. 5924, introduced by Representative Kastenmeier, and identical bills, H.R. 6043, introduced by Representative Pepper, and H.R. 6975, introduced by Representative Edwards.

I support this important legislation as I believe it is seriously needed to strengthen our U.S. patent system so that it can better fill the needs of today, and cope with the demands of the technological advances of the decades ahead.

In response to your invitation, I will give you my views on the need for patent reform. I will also discuss the international aspects of the

bills, including the desirability of harmonizing our U.S. patent system with those of other major countries.

When man's ingenuity brings an invention into the world, man gives birth to a curious creature—a creature which has no conscience, feels no passion and has no sense of its own worth. The extent to which that value is realized in society is dependent upon the care and nourishment that this creature receives from the businessman.

An invention, as I think we all know, may, or may not, be useful. It may, or may not, be patentable. Its legal status is determined by a set of rules, the basic pattern of which had its beginning in 1836.

Under this set of rules, men are able to judge whether or not an invention is of sufficient value to merit the issuance of a patent and, thereby, determine whether it will have a legal life and value to its owner in the nature of a property right.

This set of rules, which we commonly refer to as a patent system, provides benefits to both the inventor and the public. However, since 1836, while the patent system has remained virtually unchanged, dramatic changes have occurred in the social, technological, and economic character of our Nation.

The rapid growth of technology and the highly industrial nature of our national development has, in fact, brought about the inadequacy of our patent system and the need for change.

Nonetheless, our patent system has played an important role in this transformation.

Any patent system's primary mission is to serve the public. That service is best performed by encouraging early public disclosure of new technologies, thereby avoiding a society of practioners of secret technology. Early disclosure reduces unnecessary duplication and provides a basis for advancing the state of the art.

The quid pro quo to the inventor for making public his discovery is the grant of a limited monopoly which in turn encourages the innovators to risk their capital.

The beneficial exchange of technological information across national boundaries, under the protection of a patent system, enables the innovator to broaden his markets and realize more from his investment.

The inadequacies of our present system which compel making the changes set forth in H.R. 5924, are as follows:

1. The quality and reliability of the U.S. patent are too low.
2. The period of pendency of a patent application from filing to final disposition is far too long.
3. Our present patent system makes no provision for early public disclosure of technological advances.
4. The expense of obtaining and litigating a patent are too high.
5. United States patent practice is not compatible with that of other major countries.
6. Our present patent system will not be able to cope with the exploding technology foreseeable in the decades ahead.

I believe that the concern over these inadequacies is shared by many inventors and businessmen, particularly those who rely on the patent system to protect their industrial property. The concern over quality of the issued patent probably heads the list.

As the owner of an issued patent, the businessman naturally expects that it gives him an exclusive position with respect to his invention. Yet, when the patent is scrutinized by an infringer, a prospective licensee, or the courts, the patentee all too often finds that the protective "fence" around his property has "holes" in it.

Probably the most fundamental reason for this is that more pertinent prior art is found that was not considered by the Patent Office examiner. A second reason is the failure of the examiner to determine whether the invention meets a required high standard of patentability before issuing a patent.

Why do we find ourselves in this situation? I would suggest that there are several reasons:

The inaccessibility of pertinent prior art to the examiner.

The use of a classification system in the United States unlike that of any other patent office in the world.

No classified repository for technical publications or journals which often indicate the most current state of an art.

The pressure on the examiner for through-put tends to mitigate against a thorough search of the prior art that is available to him.

In recognition of these problems, the provisions of H.R. 5924 make some radical departures from present practice. I would like to touch on several of these provisions and comment on their impact on the business community.

Each application would be published within 24 months of its earliest effective filing date.

The public would have the right to cite and apply prior art against such published applications prior to the issuance of a patent.

The Commissioner of Patents would conduct a program of research and development to improve and expedite the handling, classification, storage and retrieval of patents and other scientific and technical information.

There would be a standby deferred examination procedure as a means to be employed, as required, to take the pressure off the examiner for through-put at the sacrifice of quality.

A Statutory Advisory Council, comprised of public members, would advise the Secretary of Commerce, on a continuing basis, of its evaluation of the current health of the patent system.

From these provisions, particularly early publication and citation of art by the public, you can see that the public will be brought into the examination process at a time when its knowledge and experience can be employed to improve the quality of the final product.

Early publication will also have other beneficial effects:

It will serve as a basis for others to advance the state of the art.

It will save needless duplication of effort and reinventing the same thing.

It will also allow the businessman to plan intelligently his future business or investment possibilities.

The eventual establishment of a system for worldwide retrieval of information would be of immeasurable assistance in getting all of the pertinent prior art into the hands of the Patent Office examiner, leaving him much more time to analyze the application and exercise sound judgment.

In addition, it would be an extremely useful tool for the businessman to learn the state of the art in the area of his business interest and thus enable him to make better decisions as to whether or not to patent or produce a product.

Another serious problem with our present patent system is the long period of pendency of an application before issuance. This is of particular concern to the businessman since many patents come out of the "woodwork" years after he has made his decision to develop and produce a product.

Interferences, which have contributed to long pendency of certain applications, will be eliminated under H.R. 5924, resulting in a saving to the Patent Office and the parties involved.

The long pendency of applications allows the applicant, if he so chooses, to improperly take advantage of the system through late claiming techniques, penalizing the businessman that has innocently made a heavy investment and spent considerable time and effort in developing a commercial product and its market.

The evils of long pendency are not, by any means, one-sided. Patent issuance delay also has its problems for the patent owner. He is faced with a long period of uncertainty as to the scope of the rights that will eventually be granted. Until his patent issues, he cannot exclude others from using his invention.

H.R. 5924 attacks these serious problems by providing that a patent be issued to the first applicant to file an application on a particular invention. In my view, this is the key provision in the bill. Since there are many who would like to publish their invention or test market their product prior to filing an application, the bill makes provision for a preliminary application having minimum requirements as to form.

A first-to-file system eliminates completely the costly and time-consuming interferences, and together with the provision for preliminary applications, allows an inventor to promptly get his invention into the patent system.

The defensive-minded businessman, as Dr. Bardeen pointed out can follow this procedure for his more important inventions and can publish those of lesser importance to set up a statutory bar as of the date of publication, thereby preventing others from getting patents on later filed applications that would block his freedom of action.

The effect given such publication under H.R. 5924, coupled with the provision for its citation as prior art against another party's later filed patent application on the same invention, would provide a means of eliminating completely the necessity of filing patent applications as a means of defensively protecting a product or business, thereby substantially lessening the work load and expense for both the Patent Office and the public. This is but one example of the interrelationship of the many constructive provisions of this bill.

There is very little in our patent system of today that encourages early public disclosure of new technological advances. In fact, there are many provisions of the law that discourage such early disclosure. Whatever public disclosure there is rests solely under the control of the applicant since his application remains secret until the patent is issued.

In addition, granting of the patent to the first-to-invent rather than to the first-to-file does not encourage early filing. There is also the fact that the applicant is not encouraged to get his application

ready for issuance because his 17-year monopoly does not begin to run until the patent is issued.

I have already discussed two provisions of H.R. 5924 that are of great importance to having earlier public disclosure of new technological advances. They were:

Publication of each application within 24 months of its earliest effective filing date.

Issuance of a patent to the first applicant to file an application for a particular invention.

In addition, H.R. 5924 would create an incentive for applicants to push for early patent issuance by providing that the life of the patent monopoly would expire 20 years from the earliest U.S. filing date.

Another problem that faces the businessman today is the matter of the high cost of prosecuting applications and asserting them against infringers. The businessman can be subjected to considerable harassment as an alleged infringer. Even in cases where he feels strongly that the patent would ultimately be held invalid, when he considers the hundreds of thousands of dollars that could be involved in defending a suit, he may conclude that the best course of action is to settle for less to get rid of the problem. These nuisance settlements, although distasteful, are often, under the present system, justified on the basis of pure economics.

The assertion of a valid patent against those using the invention is an equally costly proposition for the patent owner. This often results in the patentee getting far less than is due him.

In many instances, the very survival of the small businessman may be at stake. His cost of fully litigating a claim against him can seriously impair his ability to stay in business.

Frequently, the small businessman, as a patent owner, fails to assert his rights because he knows that he can ill afford to go through with the full course of litigation.

The provisions in H.R. 5924 that I have already described with respect to improving quality and reducing pendency period should reduce the instances in which the parties must resort to litigation. However, the bill adds other improvements, as follows:

A limited type of cancellation proceeding in the Patent Office after patent issuance.

Provision for in rem invalidity. The costs of defending one suit under an invalid patent would not have to be repeated again and again in suits against others.

Finally, I would like to briefly cover the international aspects of H.R. 5924. There are great differences today among the patent systems of the various countries of the world.

The inventor who desires multinational patent protection for his discovery must file a multitude of applications, each governed by a separate and distinct system of laws, rules, regulations, and procedures. Even after the patent has been obtained, the inventor is confronted with diverse systems of maintaining patent protection.

If change is to be achieved, nations must adopt a single set of long-range goals to guide their intermediate and short-range movements. Any attempt by revolutionary change, to scrap present systems in favor of new ones, in the United States or abroad, is neither feasible nor desirable. It is, however, both possible and advantageous to promote and direct interim steps toward the utlimate goal—a universal patent.

The rule followed by the Commission on harmonization was that to the extent that harmonization of U.S. practice with prevailing foreign practice can be attained without injury to the quality of the U.S. patent system, such harmonization should be introduced as a first step toward the desired goal.

H.R. 5924 contains a number of provisions which will make our patent system more compatible with foreign systems. If they are adopted, it should facilitate our initial steps toward the goal of international harmonization.

With closer cooperation among the various patent offices of the world, the businessman should be able to attain a reduction in the cost of filing patent applications abroad where he desires multinational patent protection and he should also be able to look forward to the eventual attainment of a universal patent—one which would give the patentee a grant of exclusivity "good against the world."

One final point, gentlemen. You may have heard this before, but I believe it merits repeating.

The provisions for patent reform incorporated in H.R. 5924 are not intended as isolated or partial answers to disparate faults within the U.S. patent system, but are to be viewed as an integrated, coordinated plan for streamlining and improving that system. I believe that these changes are essential for the long-term health and the very survival of the patent system.

I sincerely hope that those who recommend against the provisions of H.R. 5924 at these hearings will do so constructively by proposing a better total system—should they have one to offer—rather than by making a piecemeal attack on the reform provisions set forth in this bill.

Gentlemen, that concludes my statement.

Mr. KASTENMEIER. Thank you, Mr. Birkenstock, for a very effective statement in support of the bill.

Are there any provisions of the bill you do not support or about which you have some reservations at the present time?

Mr. BIRKENSTOCK. There is only one minor point that has to be clarified, in my opinion. It is rather a detailed point but I think I must bring it out in response to your question. It can be easily corrected.

On page 26 of the bill, section 184, relates to filing an application in a foreign country. If this stands as it is, a patentee cannot file earlier than 6 months after filing his complete application. You can readily see that this reduces the period between the filing of a preliminary application and a complete application to 6 months.

Those who file a preliminary application and wait 12 months to file a complete must then wait an additional 6 months to file abroad under the provision as it is now written. In this situation they would lose their priority date abroad under the Paris convention which stipulates that a patent must be filed within one year following the filing of the first application on the invention.

So, I recommend that the change be made. This has been made known to Commissioner Brenner by myself, and I think it can easily be taken care of.

My recommendation has been that the 6-month period be based upon either the preliminary or the complete. In other words, the applicant desiring to file overseas would have the right to file a complete for-

eign application after 6 months from the filing of either the preliminary application or the complete application.

Other than that, sir, I would say that I fully support it.

Mr. KASTENMEIER. Just so that I understand you, Mr. Birkenstock, on line 31, page 26, how would you amend it? What language would you use on line 31 to accomplish this?

Mr. BIRKENSTOCK. The essence of it is, it says "A person shall not file or cause otherwise to be filed in any foreign country prior to 6 months after filing a complete application."

I would amend that. I am not a legal draftsman, sir, but I would amend it to say after filing either his preliminary or complete application in the United States.

Mr. KASTENMEIER. Thank you.

I am sure you know that many witnesses have argued that total elimination of the existing grace period, even when coupled with the privilege of filing a preliminary application, would unduly prejudice inventors.

Have you considered the possibility of instituting a short personal grace period?

Mr. BIRKENSTOCK. I have, sir. I don't agree with these people for the following reasons:

Many, many inventors today, all of those who wish to protect their inventions abroad, cannot resort to the grace period because they invalidate their foreign filing position.

The preliminary application was put into the Commission's recommendations to protect the small man who wanted to sample his market before he went to the expense of filing a patent application to protect him against himself—his own actions—to protect the university professor who, generally speaking, is not concerned about foreign rights and sometimes not any rights at all. It is usually the university administration that is concerned perhaps because the work may have been performed under a Government contract.

It is put in to protect that professor, let's say, against himself, yet enable him to be prompt in delivering a paper at a technical society meeting.

Now, I think that this route of the preliminary application is by far the more practical one than the personal grace period which, of course, would accomplish the same objective of protecting the so-called inventor or man with a conceptual idea against himself.

Mr. KASTENMEIER. On page 6 of your statement you suggest as one of the reasons for the present legal inadequacy of patents that we use a "classification system unlike that of any other patent system in the world."

Would you care to enlarge on this?

I don't know precisely how our classification system compares with other systems.

Mr. BIRKENSTOCK. Well, the plain facts of the situation are that we use a different coding and sectionalizing and categorizing of the patented art as contrasted to most other foreign country systems.

Therefore, every patent that is received by the Patent Office from abroad under reciprocal agreements with other governments has to be reclassified in accordance with our classification system in order to be readily drawn out of the file or readily referred to.

As I viewed it when I visited the Patent Office as a member of the Commission, the burden of reclassification, coupled with the pressure on the Examiner today, results in the simple situation in which the foreign patented prior art is stacking up unclassified—and this art has to be considered.

Now, the same thing is true in reverse. The foreign governments are having a difficult time classifying and reclassifying our art to conform to their system.

Mr. KASTENMEIER. And each other's systems?

Mr. BIRKENSTOCK. They are more in harmony. They have, almost all of them, gotten together on more closely related classification systems. We stand out apart from them.

There are movements under way today, through the meetings of our very, very intelligent and progressive Commissioner, to bring about some form of common classification system.

Whether you do it manually or whether you do it through a mechanized search system, this is highly essential to intelligent and full review of the prior art.

Mr. KASTENMEIER. Would enactment of the bill, as such, however, have any effect on the classification system used by our Patent Office?

Mr. BIRKENSTOCK. I don't believe the bill, as such, has any effect in promoting the steps towards classification.

However, the bill has this effect, and I know this from personal experience:

Our adopting a first-to-file system is an indication to the foreign governments that we are ready to meet them at least halfway. They are in a mood to compromise and I believe we are in a mood to compromise on the classification system.

I know from personal experience that the whole patent world outside the United States has been stimulated by this bill and looks upon it with eager anticipation, because they recognize they have the same problems basically that we do.

If I might add, there is nothing universal today about the patent systems of the world, with one exception, and that one exception is the difficulty of retrieving the prior art of the world. This is of vital import, not only to the patent offices of the world but to patentees and patent owners and business in general, because if it is inaccessible to the patent offices of the world, it is likewise inaccessible to the man or the company with a conceptual idea.

Now, at a point in time, he has to decide whether to patent or not to patent, and knows little of the odds that he has an invention over the prior art.

It is a truism that it costs an individual or a company just as much to prepare an application and prosecute it on an unpatentable invention as it does if it is a patentable invention. It costs the Patent Office just about as much to examine one as it does the other.

The accessibility of the world's prior art to prospective patentees would go a long way in taking the workload off the patent systems of the world, because the prospective patentee, himself, has a self-interest in filing an application that is most likely to result in issuance of a patent, and he also has a self-interest in being able to shape his claims to avoid the prior art.

So, this is the common problem, the universal problem of the patent

systems of the world and it is certainly one of the key problems of the U.S. patent system.

Mr. KASTENMEIER. Other than making our system somewhat more compatible with other systems, is there anything specifically in the bill which would promote the objective of establishment of a worldwide information retrieval system?

Mr. BIRKENSTOCK. Well, as I said, I think the first-to-file pushes us in this direction.

The Advisory Council of public members, set up to aid and assist the Secretary of Commerce with their recommendations as to steps to be taken to assess the quality and functional operation of the patent system, is incorporated in this bill and would help a great deal.

Mr. KASTENMEIER. I would like to return to a further question I asked earlier and then I will conclude. This has to do with the personal grace period in context of the first-to-file concept. Politically, are we likely to run into a division between groups and inventors who are interested in domestic or academic exploitation of their patents and those who are international minded. That is to say, would those who are international minded prefer a pure first-to-file system without a personal grace period and would the others that I have described, the domestic or academic minded, prefer a personal grace period?

Is this going to be the split we are faced with objectively?

Mr. BIRKENSTOCK. I think it is one of the significant splits; yes.

The provincially minded inventor that is not interested in foreign rights would prefer to have the present grace period. The inventor who is interested in protecting his inventions in other countries of the world cannot use the grace period today without jeopardizing his foreign rights, so he is giving up nothing.

Mr. KASTENMEIER. Thank you.

Mr. Edwards.

Mr. EDWARDS. No questions, Mr. Chairman.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. Mr. Chairman.

Under section 102 of the present law, when a businessman is about to decide whether it would be profitable to exploit, the only prior art with which he has to concern himself abroad is that which is patented abroad or that which is described in a publication abroad; is that correct?

Mr. BIRKENSTOCK. That is correct.

Mr. POFF. Under this section 102 of the bill, he would have to concern himself as well with prior art which is not patented or not described in the publication but is simply known to the public.

Now, does this tend to increase or decrease his burden and simplify or complicate his decision?

Mr. BIRKENSTOCK. You are talking about the provision in the bill, if I am focusing on it right, whereby the inventor must be concerned about public use outside the United States.

Mr. POFF. Public knowledge outside the United States.

Mr. BIRKENSTOCK. And public knowledge outside the United States.

This normally should not be a greater burden than he experiences today if he is interested in an international scope of his operation because he is most interested, of course, in what his international competition is doing as well as his local competition.

So, normally, he should be abreast of what is public knowledge in his field outside the United States and in what is in public use outside the United States.

Mr. POFF. How would you define the phrase "public knowledge" as it is intended in section 102?

Mr. BIRKENSTOCK. As a layman, I would describe it as knowledge that has been made available in some tangible form to the public; that it is not a public knowledge on the basis of Joe told John and John told Henry, but it is on the basis that the man had delivered a paper at a technical forum or at a trade association meeting, an exposition, and this type of thing.

Mr. POFF. You addressed yourself to section 136 which has to do with the reexamination after publication.

Mr. BIRKENSTOCK. Yes, sir.

Mr. POFF. How do you define in subsection (a) "any person"?

Mr. BIRKENSTOCK. This is the bill?

Mr. POFF. Yes, sir; on page 18 of the bill.

Mr. BIRKENSTOCK. How do I define "any person"?

Mr. POFF. Yes, sir.

Mr. BIRKENSTOCK. Anyone who has an interest in bringing to the attention of the Patent Office, be it an individual or a company, that prior art exists that would invalidate the avowed claims of the application that was published.

Mr. POFF. This would include both American Nationals and Nationals of foreign countries?

Mr. BIRKENSTOCK. Most definitely, I think.

Mr. POFF. Under present law, does the National of a foreign country have the right to issue a similar challenge?

Mr. BIRKENSTOCK. He can come into our courts, sir.

Mr. POFF. But his challenge is not similar?

Mr. BIRKENSTOCK. There is no provision under the present law for public citation of art. He has got to cite it by a declaratory judgment action or some other action, or find some other means of introducing the prior art as a challenge to the issued patent.

Mr. POFF. Just in order that we might have this convenient in the record, Mr. Chairman, I will dictate into the record the definition of the word "person" as it is found in chapter 1 of title I of the Code:

"The words 'person' and 'whoever' include corporations, companies, associations, firms, partnerships, societies and joint stock companies as well as individuals."

Now, if I may pursue another line briefly.

How do you think the system of deferred examinations would affect the cause of early disclosure if it were implemented by the Patent Office?

Mr. BIRKENSTOCK. Well, it would promote early disclosure.

One of the problems facing a patentee, of course, is to make the grand decision as to whether he is going to go through a full examination step or not. The deferred application route gives him an opportunity to take a greater degree of time in determining whether or not he is going to invest more heavily in protecting his concept based upon the market and the commercial value which may be known only later rather than at an earlier date.

I believe that it would also siphon off the system to a greater extent than a full examination system the defensive patent applications that are clogging up our dockets in the Patent Office.

Mr. POFF. What effect do you think one company might have upon a competitor if it chose not to pay the fee and defer the examination on a patent which, if known to the competitor, might be enlarged upon by the competitor?

Mr. BIRKENSTOCK. Well, if I am interpreting your question correctly, you mean what effect would the publication which is mandatory under the deferred system——

Mr. POFF. May I interrupt you.

The publication is not mandatory. This bears upon the question.

I believe publication shall be as soon as practicable but there is a proviso clause which makes it possible for the Commission to suspend publication for the full 5-year term.

Mr. BIRKENSTOCK. I believe this is true and put in to protect the Government's interests.

Normally, a deferred examination system—and this is a selective deferred examination that is described in this bill—is predicated upon the Commissioner publishing the application promptly after it is filed. In other words, what I mean to say, Mr. Poff, is that the applicant has no control over barring the publication under the deferred system.

That is a concession that he must make. It is laid open to the public as promptly as the Commissioner decides that he can accomplish; right?

Mr. POFF. Now, further relative to the question that I first asked, would not a competitor be obliged certainly if publication had taken place to bear the expense of the examination in order to protect himself if he wanted to pursue that thought?

Mr. BIRKENSTOCK. Not necessarily.

If he is a good competitor and knows his "P's" and "Q's" about his field, he will be able to ascertain whether this application is (a) a real threat to the future trend of his business; or (b) whether there is prior art that he has knowledge of that is going to impair the validity of this.

If he has a strong case of prior art, if it does not affect the forward movement of his business, obviously he will not come in as a third party and intervene in secret to cause the patent to be examined.

Mr. POFF. But I should think it would give him great pause.

The very pendency of the application with all of its fluidity and uncertainty would be, I think, a potential threat to his exploitation.

Mr. BIRKENSTOCK. But may I draw an analogy for comparison to today.

It is not nearly the threat that it is today, because today that application is sitting out there in limbo, in some cases 4, 5, 6, and we have some that are 15 years in secret.

A competitor has a pretty good idea that it is out there but he cannot see it; he does not know whether it is a really significant threat to his investment and the continuation of his business or not.

So, compared to today, it is a much better choice, in my opinion.

Mr. POFF. Well, I don't intend by the structure or the posture of my sentences to indicate that I dispute with you. I simply want a dialog in the record.

Mr. BIRKENSTOCK. Yes, sir.

And I don't intend to be argumentative but I was trying to give you some of the rationale that took place in the Commission as to why some of us thought that deferred examination had some merit to it.

Mr. POFF. I thank you.

Mr. KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. No questions.

Mr. KASTENMEIER. Mr. Roth.

Mr. ROTH. No questions.

Mr. KASTENMEIER. We thank you very much for your appearance here, Mr. Birkenstock.

You have been very helpful.

(Subsequently Mr. Birkenstock submitted the following:)

INTERNATIONAL BUSINESS MACHINES CORP.,
Armonk, N.Y., July 5, 1967.

Hon. EMANUEL CELLER,
Committee on the Judiciary, Subcommittee No. 3,
House of Representatives, Washington, D.C.

MY DEAR MR. CELLER: On May 11, 1967, I had the privilege of appearing before your Subcommittee in reference to The Patent Reform Act of 1967, H.R. 5924. On page 380 of the transcript of my testimony, reference is made to the need for an international information retrieval system. I respectfully request permission to amplify the statement made before your Subcommittee with the following remarks.

Since my appearance before your Subcommittee, a proposed Patent Cooperation Treaty has been released by officials of the U.S. Departments of Commerce and State. This treaty would eliminate the multiple filing of patent applications now necessary in order to patent an invention in a number of countries.

In my view, the viability of this treaty is heavily dependent on the effectiveness and reliability with which Patent Offices of the member countries carry out one of the treaty's essential features, namely, the provision of a single worldwide novelty search that would be available to the applicant at an early time in the country where the application is first filed. Unless this search is performed with precision on a comprehensive basis with respect to the world's prior art, the "Certificate of Patentability" issued by the examining country could not realistically be given "full faith and credit" by the other countries in which a corresponding application is filed.

In order to provide the facilities for producing a search that could be relied upon in all countries, there must be developed a worldwide network of information storage and retrieval systems containing all of the significant prior art of the world to be captured through a cooperative effort.

When information is captured in machine readable form, it becomes a data bank from an information processing viewpoint.

I visualize this network as starting with a data bank located in each country. The cooperating countries would be pledged to sharing data capture and exchanging data with each other. This would materially reduce the cost and effort in establishing a complete worldwide system. Modern day techniques of communication and data processing, working in harmony, make it feasible for data to be reproduced, communicated, and exchanged at a fraction of the cost that would be incurred absent multi-national cooperation.

Such a worldwide network could respond to search queries from various locations and perform patent searching on an economic and reliable basis. It would be open to both the public and the patent offices of all cooperating nations.

Today, the patent systems of the world have very little in common in law and procedure, but they do have a common problem—namely, the inaccessibility of the prior art of the world, which I will call the patent information gap.

The development of a network of information storage and retrieval systems would be a significant step in closing the world's patent information gap.

The attainment of this goal would substantially enhance the possibility of achieving the desired improvements in quality, backlog reduction, the cost of obtaining patents for all national patent offices and the ultimate universal patent.

This will, of course, serve as a stimulus to the expansion of world trade and technology.

It is significant that the technological explosion, which has created many of the problems for our existing patent systems, has produced the tools that should serve well in overcoming such problems. I have reference to communication-oriented, high speed, electronic data processing equipment.

Today we have data processing systems that are fully capable of being applied to the task of patent searching. These systems are characterized by massive bulk data storage capacities, very high data manipulation rates, minimal operator intervention and a broad array of input-output devices that can be associated locally or remotely from the central processor to perform a variety of tasks such as data transmission, visual displays, and making print outs.

With such powerful and sophisticated tools available to him, the user that wishes to perform the function of information storage and retrieval faces two basic problems. He must develop, or have access to, a data bank that contains all of the significant information that the system is to deal with. Also, he must develop the techniques for retrieving from the data bank that information which is pertinent to a given inquiry.

Much is being done today by various groups to utilize the available tools to perform information storage and retrieval. IBM has been working on an experimental project to develop a fully-automated system for classifying and searching abstracts of patents and other technical literature. Significantly, the abstracts to be classified and searched are written in everyday language of the art. In addition, inquiries of the system, which we term "query digests," are simply a brief description of the idea or concept to be searched and are written in everyday language of the art.

Although work is not yet completed on this project, the preliminary system tests have been extremely encouraging and the results to date have demonstrated the probable feasibility of a fully automated patent classification and search system. Not only does the system appear to provide us with a tool for IBM's own internal use in our field of interest, but we believe that the concepts of the system can be equally employed in a comprehensive system for all fields of technology.

Although I believe that the development of a reliable, economic, fully automated information retrieval system to perform patent searching on a comprehensive worldwide basis, is feasible, its development in the foreseeable future is beyond the capabilities of any one company or any one country alone.

The development of the data bank alone is an enormous task. There exist today vast volumes of patents and technical publications. They are scattered throughout the world in various patent offices, public libraries and the libraries of technical societies and companies. Only a relative few of these have abstracts describing the concepts disclosed. Only a small fraction of these abstracts are in machine readable form. Even where they are, there is no standardization of machine readable media or coding of the information in that media.

At present, there is no comprehensive plan for preparing abstracts of the existing prior art of the world and making it available in machine readable form. Although steps are being taken in national patent offices and by a number of individual publishers to provide abstracts of future publications, there is a great need for an overall plan to enlarge this activity and to put these abstracts into a standardized machine readable form.

From the standpoint of information retrieval techniques, there are several approaches used in existing operational systems and many others under development. However, these approaches are directed to the attainment of limited objectives when considered in the light of a total systems approach to a worldwide patent search system.

In the view of these uncoordinated activities, and in order to work toward the establishment, in the foreseeable future, of a viable comprehensive network of information retrieval systems to satisfy patent searching requirements on a worldwide basis, I believe we need two things—an organization and a long-range goal for that organization.

Such an organization, which, for want of a better name, I will refer to as the International Patent Searching Association, would be comprised of all interested parties that could make a contribution to the attainment of the system. This would include paent offices, equipment manufacturers and developers of searching techniques for information retrieval systems, and appropriate technical societies.

Once such an organization was formed, it could then develop a long-range goal, and a plan of action with appropriate benchmarks for achieving that goal

Such an organization would need the cooperation and financial support of all of us who use the patent system. We, in IBM, would be most happy to provide such cooperation and share financial support. I am sure that there are many others who would also do so, because the inaccessibility of prior art today is a universal problem throughout the world.

IBM would also be pleased to provide the Searching Association with the results of its work in its experimental search project so that they could be combined with the contribution of others to achieve the ultimate goal of the organization. If we set in motion a plan of action now, I predict that a viable, fully mechanized search can be realized by 1970.

By providing the public and the governments of the world with mechanized search facilities, such an organization would promote the progress of science and technology and advance the standard of living everywhere.

I believe it is the key to making the proposed Patent Cooperation Treaty a success.

Sincerely yours,

J. W. BIRKENSTOCK,
Vice President.

That concludes the hearings for this morning.

The Chair would like to announce that the next hearings will be held a week from today in this room at 10 a.m., on May 18, 1967, at which time the committee will hear from Mr. Eugene M. Braderman, Deputy Assistant Secretary of State for Commercial Affairs and Business Activities, and Mr. Sidney Neuman, also a member of the President's Commission on the Patent System.

Until that time, the subcommittee stands adjourned.

(Whereupon, at 11:35 a.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, May 18, 1967.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, MAY 18, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m. in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier presiding.

Present: Representatives Kastenmeier, Edwards, Poff, and Hutchinson.

Present also: Herbert Fuchs, counsel, and John W. Dean III, associate counsel.

Mr. KASTENMEIER. The subcommittee will come to order for further hearing and consideration of H.R. 5924, the Patent Reform Act of 1967.

This morning we are pleased to have as our first witness the Honorable Eugene M. Braderman, Deputy Assistant Secretary for Commercial Affairs and Business Activities, Department of State.

Mr. Braderman, you are quite welcome. Will you identify your colleagues.

Mr. BRADERMAN. Yes, Mr. Chairman. I am accompanied by Mr. Harvey Winter and Mr. Simon Tucker, who are in the Business Practices Division in the Department of State.

Mr. KASTENMEIER. Mr. Braderman, you may proceed.

Mr. BRADERMAN. Thank you very much, Mr. Chairman.

STATEMENT OF HON. EUGENE M. BRADERMAN, DEPUTY ASSISTANT SECRETARY OF STATE FOR COMMERCIAL AFFAIRS AND BUSINESS ACTIVITIES; ACCOMPANIED BY HARVEY WINTER AND SIMON TUCKER, BUSINESS PRACTICES DIVISION, DEPARTMENT OF STATE

Mr. BRADERMAN. Mr. Chairman and members of the committee, I am delighted that you have given me the opportunity to present to this committee the views of the Department of State on this important bill, the Patent Reform Act of 1967, H.R. 5924.

We believe this bill will, if enacted, establish a modern and effective patent system. The bill, as the committee well knows from its hearings to date and from its own studies, was shaped from the recommendations of the Report of the President's Commission on the Patent System. I was privileged to participate in the work of the Commission as an Observer representing the Secretary of State. In my judgment, the Commission did an outstanding job of giving careful and objective

consideration to all of the important domestic and international aspects of patent protection in developing its recommendations.

In the Department's judgment, this legislation will make a significant contribution to the interests of the United States in the international patent field. It could provide guidelines for other nations which may be developing patent systems of their own or considering changes in their current patent operations. It would also make easier our ultimate participation in an international patent system.

Before commenting on specific features of the bill, I would like to discuss briefly some of the problems in the international patent field today and why we believe this legislation will help to resolve these problems.

During the past two decades patents have assumed a role of growing importance to American industry at home and abroad because of unprecedented technological development and the rapid expansion of international trade in this period. Not only are U.S. companies filing more applications at home than ever before in our history but they are also undertaking more and more foreign filings. Thus, in 1965 our firms filed more than 100,000 applications outside the United States.

Further, the nationals of other industrialized nations are also filing increasing numbers of applications in their own countries and abroad. In 1965 about 650,000 applications were filed worldwide, representing an increase of more than 50 percent in 10 years, with a large part of this increase due to foreign filings.

As a result, two critical problems have arisen. First, examining patent offices such as those in the United States and Germany have been faced with large backlogs of patent applications. Duplication of effort contributes heavily to these backlogs. About half of the estimated 650,000 applications filed worldwide in 1965 were duplicate or multiple filings of the same invention in two or more countries. The second problem concerns the applicant who wants to file abroad in two or more countries. Such an applicant is confronted not only with the task and cost of prosecuting the same application in several countries but also with the burden of prosecuting each application under different laws and procedures.

Since patent rights are closely tied to much of our international trade and investment activity, both of these problems have an adverse effect on related business planning and decisionmaking. It has become increasingly clear to this Government—and to governments of other industrialized nations—that far-reaching steps must be taken to deal with these problems. Government is not alone in recognizing this need. So is industry.

In February of this year, for example, the Patents Committee of the National Association of Manufacturers—a committee with broad representation from large and small industry and private patent attorneys—indicated its support for updating U.S. patent laws and procedures and coordinating such efforts with other countries. The NAM Patents Committee has stated that the "urgency for action by governmental agencies has increased" because of the (a) backlog problem, (b) continuing technological progress and increasing international trade, and (c) new national and regional patent law approaches which "increase the complexity of international coordination." The NAM committee noted that "the entire patent system concept is in jeopardy and in a state of flux—need for action has become evident."

Various national patent offices have taken unilateral actions in recent years to attempt to resolve or alleviate some of their pressing problems. For example, the U.S. Patent Office has initiated changes in its procedures and practices aimed at increasing examining efficiency and has added personnel in an effort to control patent application backlogs. Several countries have already made or are presently considering changes in their patent laws to cope with the situation.

We do not believe, however, that unilateral action alone will provide a long-term solution either to the problems of patent offices or to those of applicants. It is our view that international cooperation is necessary. In this connection, the U.S. Patent Office has in recent years developed programs in two major areas: (a) cooperative studies and exchanges of search results on a bilateral basis; and (b) cooperative multilateral programs in the documentation area which are aimed principally at developing improved search files and techniques—mechanized searching, for example.

Other efforts at international cooperation in the patent field, particularly in Europe, should be noted. The work of a committee of patent experts in the Council of Europe resulted in three conventions which are aimed at harmonizing the formalities of patent applications (1953), the adoption of an international patent classification system (1954), and harmonizing certain points of substantive patent law (1963). The first two conventions are in effect. The United States is not a party to any of these conventions.

Two other Western European efforts—to deal with patent matters multilaterally should also be noted. These are the draft European Patent Convention to establish a single patent for the six EEC countries and the Nordic patent system for the mutual recognition of patents issued by Denmark, Norway, Sweden, and Finland. Both of these projects are still under consideration.

International cooperation in the patent field with a view to improving patent protection abroad is especially important to the United States because of the extensive foreign patent interests of American industry. Foreign patents are of particular importance and interest to American corporations with multi-national interests. Such corporations look for markets on a worldwide basis and consider foreign patenting programs in this context. Corporations of this type may file for a patent on the same invention in five or more countries. As more and more firms, large and small, engage in international activity, the problem will grow. This development, of course, is not exclusively a phenomenon of the United States but may be found in virtually every industrialized country. Therefore, as I have noted earlier, the major industrialized nations, including the United States, are actively supporting a policy of international cooperation to attempt to resolve pressing patent problems.

I would now like to deal with some specific provisions of H.R. 5924 which are important in terms of our foreign policy objectives.

One of the major objectives set forth in the report of the President's Commission on the Patent System was "to make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system."

I emphasize that because it was firmly the conviction of the Commission that what was recommended should be good for the United States. That was the first criterion.

The keystone of the recommendations of the President's Commission is in our view the recommendation that the United States adopt a first-to-file system to determine which invention has priority when two or more persons apply for a patent on the same invention. This recommendation is reflected in section 102 of H.R. 5924.

The institution of a first-to-file system is most important from the viewpoint of harmonization with the practices of almost every other country. Only three out of 77-Paris Union member states—the United States, Canada, and the Philippines—do not have this system.

The Canadians had a Commission a few years ago that recommended a change in the system.

The institution of a first-to-file system would result in the elimination of the interference procedure which is followed under our present law in cases where there are competing claims to an invention and the question must be resolved as to who invented first. Foreign experts have claimed that our "interference procedure" is a violation of article 2 of the Paris convention concerning "national treatment" because the foreign national is almost always limited to his convention priority date in such a proceeding whereas the U.S. national may introduce evidence establishing a date which may often be substantially earlier—that is, the so-called conception date—as the date from which his rights are determined. As a result, this procedure has been an irritant in our industrial property relations with certain Western European countries.

The elimination of the 12-month grace period—also dealt with in section 102—is significant in terms of foreign economic policy in that U.S. inventors no longer would forfeit their foreign patent rights through disclosures made in reliance on it. Foreign patent rights are of great potential value to American industry—small as well as large. They may be used to promote exports, and they do, serve as a foundation for establishing an overseas manufacturing operation, and they do, or they may be licensed to foreign entrepreneurs on a royalty-bearing basis.

All of these uses are of great consequence in relation to our balance-of-payments situation. According to Department of Commerce estimates, in 1965 the licensing abroad of intangible property, that is, patents, unpatented know-how, trademarks and copyrights brought into the United States about $650 million in royalties and management fees associated with licensing arrangements.

Although there is no breakdown for the proportion that came directly from patent licensing, it seems certain that it is substantial in view of the large number of foreign patents held by our nationals. These figures do not take into account the value of exports of products covered by American-owned patents in various foreign markets which in some cases might be lost to foreign manufacturers.

The extension of prior art to include foreign knowledge, use, and sale from a foreign policy viewpoint would be important in terms of encouraging acceptance of a common definition of universal prior art. Not all of the industrialized countries operate on a universal prior art basis, but the trend seems to be in that direction. For example, the Council of Europe treaty on unification of substantive patent law has this standard of prior art. And in a world which is being made smaller every day by the rapid advances in transport and communications, any other approach would appear to be a step backward.

This bill would also in our view make an important contribution toward the "ultimate goal" of a "universal patent," set forth in recommendation XXXV of the Commission's report.

Thus, the first-to-file provision, in addition to its importance in terms of harmonization and simplification, is also a necessity if a universal patent system is ultimately to be achieved. Provision for universal prior art is also an essential element in a universal patent system, for a single application for a universal patent could not be evaluated against prior art if the prior art base differs among the countries encompassed in such a system.

Further, retention of the present grace period in the United States would be inconsistent with the evaluation of patent applications under a uniform standard of novelty and priority of invention, which would be essential to a universal patent system.

As a first step, and largely as a result of the impetus provided by the President's Commission on the Patent System, the United States initiated a resolution in the Executive Committee of the Convention of Paris for the Protection of Industrial Property looking toward the development of a multilateral system designed to eliminate or alleviate the duplication of effort on the part of patent applicants and patent offices.

This resolution was adopted and the secretariat for the Paris convention—BIRPI (United International Bureaux for the Protection of Intellectual Property)—has been developing a plan within the framework of the Paris convention which would provide for central filing and the issuance of certificates of patentability. I understand that the plan will be made public on May 31. This plan would in no way impinge on national sovereignty, and this is one of the important features of it.

Mr. POFF. Do you think that is in harmony with the work being done in connection with the EEC countries to which you referred earlier?

Mr. BRADERMAN. Yes, sir.

The plan does not provide for the issuance of an international patent. U.S. patents will continue to be issued by our Patent Office, and the decision to issue the patent will be made by our Patent Office under our national patent law. Nor does the plan provide for any supra-national court, or contain any prescriptions as to specific matters after grant of the patent. However, it would help to eliminate or alleviate the duplication of effort among participating examining patent offices in that the searching for novelty and examination for patentability would only have to be done once rather than several times.

Further, it would save money for patent applicants in that a single international application would extend to all the countries designated by the applicant.

Finally, the plan would result in savings for taxpayers in examination countries like our own since it would reduce the workload of patent offices in participating countries. If this project is successful, it will result in an international treaty which would require the advice and consent of the Senate. It will also require implementing legislation which would come before your committee, I assume, Mr. Chairman.

In conclusion, may I say, Mr. Chairman, that the dynamic events of the 1960's in the industrial property field point up the desirability

and necessity for the United States to look forward—not back. We believe that the proposed Patent Reform Act of 1967 is forward looking and will serve as a fine example for other nations.

We also believe that it will be a stimulus to invention in this country and an aid to our international trade. As a consequence, this legislation could be of great benefit to the American public as a whole as well as to the proprietors of patent rights at home and abroad.

I shall be very happy to try to answer any questions that you or other members of the committee may wish to put to me.

Mr. KASTENMEIER. Thank you.

First, you might define for us what you consider with respect to patents the respective responsibilities of the State Department and of the Commerce Department. What is the area of your concern as distinguished from theirs?

Mr. BRADERMAN. The U.S. Patent Office in the Department of Commerce is, of course, the operating agency, which by authority of the law issues patents in the United States. The interests of the State Department extend to patent matters when in a sense they go abroad and involve us in relationships with other countries. In this connection we have had a very close and harmonious relationship with the Patent Office in pursuing what we regard as mutually desirable goals.

Mr. KASTENMEIER. That is to say that the Department of Commerce also would be concerned with the international effects of the patent law?

Mr. BRADERMAN. There is no question about that, they are. As a matter of fact, they supply all of the basic expertise in the international patent field with respect to such matters as international patent classification in which we don't attempt to become expert.

Mr. KASTENMEIER. Mr. Braderman, the subcommittee has received a fair amount of criticism of the bill on the ground that whatever gains may be realized from its enactment in the international area, these would be paid for at the expense of domestic business, domestic inventors and patentees.

More specifically, the critics object to the abrogation of the grace period and to inclusion of foreign use and knowledge as prior art.

Do you agree that these changes would prejudice American inventors and if so, do you nevertheless regard them to be in the public interest? If so, why?

Mr. BRADERMAN. The Department of State is, of course, the foreign policy agency of our Government. But our interest in this bill and our support of its provisions result from our firm belief that this is in the best overall interests of the United States and that the provisions will in effect be helping U.S. inventors.

While we are interested in international cooperation and are concerned with the effect of any bill on other countries, it is basically because we believe that the bill's provisions will help citizens of the United States. I might point out a few facts which cause us to so believe. First of all, our exports are running at the rate of about $30 billion a year. This makes us the world's largest exporter. Our investments are much larger than those of any other nation.

The fact is, therefore, that we, by our own actions, are vitally involved in business activity abroad. What we are seeking for American

producers in these activities abroad, which are so extensive, is the highest level of industrial property protection that we can achieve.

Mr. KASTENMEIER. Let me put it another way.

You are concerned obviously about the effects of the bill on domestic inventors. I was using domestic inventors here in a special way, however; that is, those inventors who do not go into the international market. Did you give consideration from your standpoint as to how those inventors, those domestic inventors who are not involved in international trade and whose patents are not used in the international market, how they would fare especially in consideration of the fact that those who have made their views heard, suggest that they are injured by this bill?

Mr. BRADERMAN. It is true that roughly 80 percent of the patent applications that are currently filed in the United States do not have any effect abroad because the inventors do not seek any protection in other countries. In this sense our international patent cooperation efforts are concerned with 20 percent of the total although that total is increasing because of the kind of world we are living in and our own increasingly important international business interests.

But it was the firm view of the Commission, and I concur, that the 80 percent were not adversely affected by any of the provisions that were recommended by the Commission or that are included in H.R. 5924.

Mr. KASTENMEIER. In other words, you do believe that the objective of improvements in our international patent relationships can be realized through this bill without undue injury to domestic inventors?

Mr. BRADERMAN. Yes, sir.

Mr. KASTENMEIER. With respect to the keystone provision of the bill that would convert to the first-to-file system, you say its adoption would eliminate interference procedures. In terms of percentages, aren't these really a very small portion of the cases?

Mr. BRADERMAN. This is true. They are a small proportion of the cases but it is my understanding from those who are much more expert in the field than I that when they have occurred they have been very difficult and important cases. And, as I have also noted in my own testimony, the present system is regarded by foreigners as being discriminatory because it does not permit their own inventors to prove date of conception.

Mr. KASTENMEIER. Thank you, Mr. Braderman.

Mr. Edwards?

Mr. EDWARDS. Mr. Braderman, you mentioned the three conventions which were the result of the work of a committee of patent experts in the Council of Europe. Were we invited to be observers or to participate in any way in those conventions? That is on page 4.

Mr. BRADERMAN. Initially, as I understand it, we did not participate in the deliberations of the Council of Europe but since they have developed the conventions we have been invited and have on occasion participated in an observer capacity.

Mr. EDWARDS. On page 8 you mention the plan being developed by BIRPI within the framework of the Paris Convention. Would this plan be considered as a partial answer to the problems of the internainternational patents?

Mr. BRADERMAN. Yes, sir; I think it will. I think the plan will benefit patent offices and applicants as well. If we can eliminate the duplication of patent filings, then we won't have to keep increasing the size of staffs that have to review those applications.

Similarly, applicants will save money because they will not have to prosecute applications under different laws in a good many different countries. I think the beauty of the scheme as it has been developed so far is that it has enabled us to figure out a way of gaining these objectives without impinging on national sovereignty, which has always been a stumbling block in this field, for us as well as others.

Mr. EDWARDS. If we do arrive at the ultimate goal of a universal patent as set forth in recommendation XXXV of the Commission's report, there will be an impingment on national sovereignty, is that correct?

Mr. BRADERMAN. At that stage in time, which is so far down the road that I suppose it is hard to visualize you would be absolutely right. Under the system as contemplated, and we are just in the initial stages of discussing this, we are hopeful that we will develop a treaty, but we really don't know what the final outcome will be. Only a limited number of experts have participated in the discussions that have gone on thus far, but the draft treaty will be made available at the end of the month. What we hope is that this system, if it goes into effect, will demonstrate the benefits of international cooperation. If we can develop, as would be necessary under such a system, common standards for application format, common standards for search and command standards for certificates of patentability, then on the basis of experience the patent offices ultimately will accept these common standards. This will not be required under the treaty but, if it works well, these standards will be accepted. After a period of years the concerns about national sovereignty will have disappeared because everybody will realize they have been operating under a system that makes sense. This is the way that, hopefully, we might move toward the objective of a universal patent.

Mr. EDWARDS. Thank you. That sounds encouraging.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. Mr. Braderman, I think you will head our delegation to Stockholm next month?

Mr. BRADERMAN. Yes, sir.

Mr. POFF. Your responsibility there will be in the field of copyrights and patents?

Mr. BRADERMAN. The Stockholm conference is concerned with both patents and copyrights, you are correct.

Mr. POFF. You are aware of the posture of the copyright bill in the Senate?

Mr. BRADERMAN. Yes. I know your committee has already recommended it and it has been approved in the House and is under consideration in the Senate.

Mr. POFF. Are you aware of the problem which has arisen there, apparently for the first time, at least at the instance of Federal agencies concerning copyrights vis-a-vis computers, input and output? Are you aware of that?

Mr. BRADERMAN. Are you raising the question of computer programing as opposed to hardware?

Mr. POFF. Yes, sir.

Mr. BRADERMAN. In a general way, yes.

Mr. POFF. Has the Department of Commerce taken an active part in that?

Mr. BRADERMAN. Frankly, I don't know. I would suppose you might want to raise that question with Under Secretary Hollomon or Commissioner Brenner.

Mr. POFF. If the Department has done so it has not necessarily come through your office?

Mr. BRADERMAN. No, sir.

Mr. POFF. All this, of course, is irrelevant to the matter under inquiry here but it is of some importance to the subcommittee.

Mr. Braderman, you spoke of a change which is imminent in Canada but you did not specify a change from what to what. Would you care to be more explicit?

Mr. BRADERMAN. I was referring to a recommendation which was made by the Commission in Canada for a change from the first-to-invent system, which they have, to a first-to-file system. No action has yet been taken on that in Canada. The reason I mentioned it was that, since there are only three countries that use the first-to-invent system, it was significant to know that not only had our Commission recommended a change but the Canadians had likewise. In the case of the Philippines, of course, they got their system from us. They have an examining system but it is more limited in its operation than ours.

Mr. POFF. I assume, without knowing, and possibly you do not know, that most of the foreign filings made by American inventors probably are made in Canada. Is this correct, do you think?

Mr. BRADERMAN. I wouldn't know the figures directly in terms of percentages. I do know that the number of foreign filings in Europe are quite sizeable. The BIRPI Secretariat in Geneva issued earlier this year a listing of domestic and foreign filings of all countries. According to this listing, 19,844 applications were filed by U.S. citizens in Canada but in Germany, for example, U.S. citizens filed 11,157.

Mr. POFF. In what year was this?

Mr. BRADERMAN. 1965.

In Japan, American citizens filed 10,470 applications.

Mr. POFF. Of course there are many duplications, many of those were multiple filings in multiple nations?

Mr. BRADERMAN. That is right.

Mr. POFF. The point I am trying to make is that if there is a need for a foreign filing by an American inventor certainly it would be in Canada which adjoins us.

Mr. BRADERMAN. Yes, sir; Canada is our largest single market, that is true.

Mr. POFF. On page 7 of your statement you address yourself to the question of the extension of prior art to include foreign knowledge, use and sale and in your next sentence you say not all of the industrialized countries operate on a universal prior art basis. What nation does operate on a universal prior art basis?

Mr. BRADERMAN. France, Italy, The Netherlands, Sweden, Luxembourg, Spain, and the U.S.S.R., and even more important is the fact that the Council of Europe treaty has recommended the use of the universal prior art system.

Mr. POFF. Does the definition of prior art in each of those cases include knowledge?

Mr. BRADERMAN. It is recorded knowledge in some way. It must have a tangible form. It cannot just be spoken.

Mr. POFF. Section 102 of the bill as recommended by the Commission does not so require, does it?

Mr. BRADERMAN. It was my understanding that it does. That was the intention.

Mr. POFF. I suggest that it does not achieve its intention. For the purpose of the record I will read the language.

A person shall not be entitled to a patent if prior to the effective filing date of the application the subject matter sought to be patented was known to the public, or—

that is a disjunctive—

made available to the public by disclosure in tangible form.

Mr. BRADERMAN. It is either of those that can defeat it, that is correct.

Mr. POFF. Yes, sir. Is a similar definition incorporated in the definition of prior art in the laws of any of those nations to which you made reference a moment ago?

Mr. BRADERMAN. I would think so but if you would like we could check it for accuracy.

Mr. POFF. I think it is important.

Mr. BRADERMAN. Surely.

(Mr. Braderman submitted the following in answer to Mr. Poff's question:)

In brief, in testing for novelty, the prior art considered in each of the countries I mentioned above is as follows:

France—Anything known either in France or abroad; however, the disclosure must in some way be accessible to the public, and must disclose the invention to such an extent as to enable it to be put into practice.

Italy—Anything publicly known in Italy or abroad in such a manner as to allow for the realization of the invention.

Netherlands—Any publication or prior use anywhere, whereby the invention could have become sufficiently publicly known to be put into practice by an expert.

Sweden—Any printed publication or public use, either in Sweden or abroad.

Luxembourg—Anything described, or publicly shown or worked, either in Luxembourg or abroad.

Spain—Anything known or put into practice anywhere.

U.S.S.R.—Anything described or publicly used in Russia or abroad.

Council of Europe Convention on Substantive Points of Patent Law and Draft European Patent Convention—Everything made available to the public by means of a written or oral description, by use, or in any other way.

Mr. POFF. If it is true that such a large block of nations adopt a policy of universal prior art and if it is true that embraced within the definition of that phrase is simple knowledge as distinguished from knowledge reduced to tangible form it is material in our deliberations.

Mr. BRADERMAN. Yes, sir.

Mr. POFF. May I ask you, what is the status today, if you know, of Russia vis-a-vis the Paris Union?

Mr. BRADERMAN. The Soviet Union is now a member of the Paris Union. It became a member in 1965. The Soviet Union is very much interested, I may say, in moving toward international patent cooperation with Western countries.

Mr. POFF. Thank you, sir.

Mr. KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. Mr. Braderman, you stated that worldwide there were some 650,000 patent applications filed in 1965. What percentage of the 650,000 were filed in the United States?

Mr. BRADERMAN. Just under a hundred thousand.

Mr. HUTCHINSON. Only about a hundred thousand out of the 650,000?

Mr. BRADERMAN. Yes, sir.

Mr. HUTCHINSON. Then with reference to the plan that you mentioned coming out of BIRPI, on page 9 of your statement, do I understand that a patent applicant under that plan would file his application in his home country?

Mr. BRADERMAN. You are absolutely right, sir.

Mr. HUTCHINSON. This would then be an application at the same time in all the countries which he indicated?

Mr. BRADERMAN. Yes, sir.

Mr. HUTCHINSON. And that the examination would be made by the examiners in his home country?

Mr. BRADERMAN. Yes, sir. This would not be true of all countries but it would be true for the United States. The idea behind the plan is that countries that have an effective examining system such as the United States, Germany, and possibly others, would become arms of the international system.

Mr. HUTCHINSON. What would happen in other countries?

Mr. BRADERMAN. In other countries the filing would take place in those countries but the examination might be made by the International Patent Institute at The Hague. They could not, however, elect to file in their own countries and have the examination done, say, in the United States because that would throw a burden on us that we would not want to have.

Mr. HUTCHINSON. So that our examiners would under such a plan continue simply to examine the applications of our American inventors?

Mr. BRADERMAN. Yes, sir.

Mr. HUTCHINSON. Now my next question is briefly this: Are we sure that other countries' patent examiners do as good a job in patent examining as to prior art, and what-not, as ours do? Do they do as good a job as we do, or is the reverse the truth? Do they do a better job than we do?

Mr. BRADERMAN. Well, in some fields, in some cases, other countries do a better job. Generally speaking, I think we do as good a job as that of any other country. However, under the BIRPI plan, if we felt that a certificate of patentability issued, say, in Germany, which came to us for issuance of a national patent did not meet our standards, we would reject it.

Mr. HUTCHINSON. That power would still be vested in each member country?

Mr. BRADERMAN. Yes, sir. That is why I said earlier that national sovereignty and the right to issue a patent is retained by the United States.

Mr. POFF. Mr. Chairman, may I ask one further question?

Mr. KASTENMEIER. Yes, Mr. Poff.

Mr. POFF. This question is prompted by the inquiry of my distinguished colleague from Michigan.

Assume that the application were made and a search was conducted as you indicated, thereafter unknown prior art was discovered, would after-discovered prior art be available to challenge the grant of the patent no matter where it might be discovered in the world?

Mr. BRADERMAN. I suppose if that knowledge were later brought to light it would have the effect of providing a bar; that is correct.

Mr. POFF. Where would it be litigated?

Mr. BRADERMAN. It would be litigated in the court of each national country where a patent was sought. So that for us it would be litigated in the United States under our own rules.

Mr. POFF. Then if I understand correctly, after the application has been made and search has been concluded in one of the examining offices and patent has been granted, and it has equal application in all the constituent member nations, prior art previously unknown is discovered and that prior art would be just knowledge, then a challenge could be made of the patent?

Mr. BRADERMAN. Yes.

Mr. POFF. Now suppose in the interval the patent owners had invested large sums of money to exploit the patent, in good faith, wouldn't this be a rather disastrous blow and wouldn't it have the effect of discouraging exploitation?

Mr. BRADERMAN. You see, sir, under the system in our case the search would be conducted here. No patent would be issued by the international body but rather a certificate of patentability attesting that the standards which we and other participants had agreed upon, had been met. But it would be the U.S. Patent Office in our case that would issue that patent. It would issue it on the basis of that certificate of patentability plus any other information that it had at its disposal.

Now if it did not have the knowledge that you have alluded to it would, of course, have issued the patent, but that would be true today. So the situation would not be changed.

Mr. POFF. It would have application only insofar as prior art in this Nation is concerned.

Mr. BRADERMAN. That is true with respect to knowledge and use.

Mr. POFF. The contrast is between 200 million and 3.5 billion people. So I suggest that the dimensions of the risk are somewhat greater.

Mr. BRADERMAN. Of course, searches today in every sophisticated country like our own take into account developments in other major countries where invention takes place.

Now a good many of the three and a half billion people around the world do not invent and the likelihood of knowledge existing among all is not very great.

Mr. POFF. A good many of the 200 million in the United States don't invent.

Mr. BRADERMAN. I agree.

Mr. POFF. I don't invent.

Mr. BRADERMAN. Neither do I.

Mr. POFF. I hope you don't think this is frivolous. It is intended to get at the root of something that troubles a good many people. I will not pursue it further. Thank you.

Mr. BRADERMAN. Thank you.

Mr. KASTENMEIER. Thank you, Mr. Braderman, and your associates.

Mr. BRADERMAN. Thank you very much.

Mr. KASTENMEIER. Next the Chair would like to call Mr. Sidney Neuman of Pendleton, Neuman, Seibold and Williams, a member of the President's Commission.

STATEMENT OF SIDNEY NEUMAN, ESQ., OF PENDLETON, NEUMAN, SEIBOLD & WILLIAMS, MEMBER OF THE PRESIDENT'S COMMISSION

Mr. NEUMAN. Mr. Chairman and gentlemen of the committee, I greatly appreciate this opportunity to appear here this morning and testify with respect to H.R. 5924. I never have been accused of being bashful and so I would like to make a short personal description of myself.

My firm has been in almost continuous existence since the middle 1890's. We have always specialized in the practice of patent law. I have been with the firm all of my adult life. I have been very closely connected with patent matters, especially litigated patent matters. I am a fellow of the American College of Trial Lawyers.

Last year I was president of the Patent Law Association of Chicago. About 10 or 11 years ago I was president of the Bar Association of the Seventh Federal Circuit, which is a group composed of lawyers from the three States making up the Seventh Circuit; namely, Illinois, Wisconsin, and Indiana.

As I say, I have been very closely associated with patent matters all these years. Our clientele has always covered the whole spectrum of patents. We have always done what is known as soliciting or prosecution of patent applications for individuals and for small companies. We have always been in patent litigation and there we are on the other side of the spectrum; we represent and we are proud to say we have handled cases and interferences for some of the very large corporations in this country.

The individuals that we represent are, as we like to call them, men off the street. They are the so-called garret-type inventors, the independent inventor who has an idea that he wants to patent and he either comes in cold to our office or he is sent in to us by his general attorney, or is otherwise referred to us and we handle applications of that nature.

I am testifying before you this morning in a dual capacity.

Mr. KASTENMEIER. Incidentally, we do appreciate that background. It helps the committee.

Mr. NEUMAN. Now as you know I am not immodest, I think I could add to that by saying that I went with the firm as an office boy when I graduated from high school and then went to night law school in Chicago and received my degree and passed the bar way back in 1926, which is a long, long time ago.

The dual capacity is this: As a practicing patent attorney I represent and have an obligation to all facets of the inventing society including many independent inventors and small businessmen. As a former member of the President's Commission on the Patent System I represent the conclusions of that Commission as basically represented by the proposed legislation pending before you.

President Johnson's appointment of our Commission indicated his awareness of a pressing need for a reform in the existing patent laws. In choosing the members of our Commission, the President exercised great wisdom in not choosing a group composed entirely of patent lawyers, but rather chose a multifaceted group. Upon convening, this group put aside all personal objectives and impartially and objectively asked themselves "in view of the constitutional basis for the patent system, what is good for that system and for our country."

In some of the talks which I have been giving I have compared the Commission to a hypothetical person for whom I selected the term "polyglot." Polyglot is literally a man who speaks or writes several languages. But I have broadened it to mean a hypothetical man having the varied composition of the Commission. My polyglot is a Federal judge. He is several educators, presidents of two very important universities in this country. He is several inventors, a Nobel Prize winner; namely, John Bardeen, an inventor in the electronics area, also an inventor in the chemical field. He is a business executive. He is a government official and he is a patent attorney.

The point that I have tried to make is that whereas the mythical Janus looked in only two directions, our polyglot, our Commission, had to look in many, many directions.

We had to show concern not only for the patent lawyers, not only for Government, not only for the schools, but for the business community, for the small garret-type inventor or independent inventor, and I think this is confirmed by President Johnson's statement when he released our report and when he said that he was commending it to all interested Americans.

I want to make that point because it is against this background that I now want to go on.

I would like to discuss various specific changes in H.R. 5924 which would affect and have effect on the independent inventor, and small businessmen.

To begin with, the first-to-file concept is anything but new. With the exception of the Philippines and Canada, which is apparently awaiting our decision on the issue, every patent system enjoys this concept. In practice, the United States currently has close to a first-to-file system, when one examines the statistics. The estimated 90,000 applications to be filed in the United States in fiscal year 1967 will result in an estimated 470 interference proceedings of which only 25 percent are expected to be won by the junior party.

When we refer to a junior party we are talking about the man who filed second, not the man who filed first. The first to file is the senior party in the interference.

We are thus speaking of an interference system which benefits only an estimated 118 out of 90,000 applicants.

Now I would like to say that I do not think in making the first-to-file proposal that we are primarily asking that the interference practice be eliminated because it involves a great many applications or because it consumes a lot of time in the patent office or because many patent office personnel are involved in the procedures. The point about the interference practice is that it is a necessary evil. It is a concomitant of the priority concept, the first-to-invent concept. So, if you eliminate the present practice and go to the first-to-file system you must of necessity eliminate interference.

The basic question is not whether we should keep a system which grants the patent to the first-to-invent. We do not now have a means of quickly, inexpensively and accurately identifying the first-to-invent. The basic question is whether we should continue with a system which grants the patent to the one who wins an interference proceeding.

This system which requires an interference proceeding has been a double thorn in the side of every independent inventor and small businessman when he conceives an idea which may, in time, lead to an application for a patent. First, what laboratory notes and records need be kept and how accurately must they be kept? Just what requirements does the present law place on the inventor, and how well is he informed of those requirements during the critical time period between the actual conception of the inventive idea and the time at which the inventor has a working model or has proven his invention works? An uninformed inventor, or one who is informed of the necessary requirements too late, may well be the first inventor, in fact, but still will not win the interference and not be the first inventor under the present patent system.

The second thorn is that of expense. All too often the independent inventor or small businessman cannot afford a costly interference proceeding even though legally he may be able to prove he was, in fact, the first inventor.

I shall not dwell on these points for I am sure the subcommittee has heard them before. Needless to say, in both of my capacities for testifying here today, I earnestly support the first-to-file concept. I am satisfied that it will not be prejudicial insofar as the independent or individual inventor is concerned.

Under the present practice, an inventor has 1 year in which to file his application for a patent after he or anyone else has disclosed the invention to the public. This year is commonly referred to as a grace period. As a substitute for, and in my opinion an improvement over, the present grace period, our Commission recommended that a preliminary application practice be instituted.

To the independent inventor and small businessman, this would mean that after an invention was conceived, he could file a written description of his idea with minimal requirements as to form, and then have the freedom to publicly discuss and improve his invention. What is of primary importance is that under this system the public would receive the benefit of the inventor's efforts in a minimum amount of time. I should further be noted that, due to the simplicity of a preliminary application, the inventor initially receives the protection due him without the expense of a formal, complete application. This is an obvious boon to the man of limited means and, by way of the earlier public disclosure, an improvement over the present practice in view of the patent system's constitutional obligation to the public.

My statement that the patent system has a constitutional obligation to the public is by no means original. The true nature of our constitutional patent system was confirmed at an early date (1829) by the Supreme Court when it said that the main object of the patent laws was to promote the progress of the useful arts, that rewards of inventors were secondary and merely a means to that end and that the public interest was the "favorite of the law." Again in 1958, the Court said:

. . . the benefit to the public or community at large was another and doubtless the primary object in granting and securing that (patent) monopoly.

I think the first-to-file concept is within this spirit and will achieve the constitutional purpose because it is intended to speed and accelerate public disclosure. Therefore we are right in line with a plan which will achieve the constitutional objective of a patent system.

I would like to read a couple of questions which I have posed to patent attorneys in talking to them. I have asked them to take these proposed changes on balance and look at the over-all picture. The basic questions are these: One, is it in keeping with the constitutional purpose of the patent system that we have a first-to-file system, that there be prompt filing of patent application and that there be no delay in granting patents or in the publication of technological information? And, second, will our society as a whole benefit from a system which is calculated to avoid needless duplication of engineering effort and research, to expedite the making of new and additional technical advances, and to enable the public and especially entrepreneurs through early publication of patent disclosure to sensibly evaluate their positions?

I have also made this point. The Founding Fathers did not try to anticipate all of the problems which would arise under a patent system. Rather, they set forth a broad public policy and left the drafting of laws to each succeeding generation.

Times and technology do not stand still. They change. We must do all in our power to change with them. It is a mistake to assume that the best patent system in the world may stand still and yet continue to be best.

I have made that last assertion because of the argument repeatedly advanced to me: We have the best system, why should we change it? I have tried to answer it by saying that it may be the best but we must continue to keep it the best. That we are not necessarily following the foreign practice here but we are thinking in terms of what our constitutional objective is and that we are trying to keep our system going and have it continue to be the best in the world.

The question I put here today is, what better way for the patent system to best serve the community at large, than to publicly disclose scientific and technical information at the earliest possible date? Section 123 of H.R. 5924 calls for the publication of a pending, complete application in not less than 18 months and not more than 24 months after the effective filing date of the application, thus implementing our Commission's recommendation on this point.

Incidentally, these two go together, one, the first-to-file concept which is to speed up the filing of applications, and two, the compulsory publication in this period of 18 to 24 months.

In my view they hang together and both are intended to achieve the great and true constitutional purpose of our patent system.

The only printed publication presently made by the Patent Office is that which occurs when an application has issued in the form of a patent. Under today's practice this publication can be, and often is, delayed far beyond the maximum two years called for in section 123. The small businessman, who cannot afford to monitor patenting in foreign countries—where patents are laid open to public inspection in as little as a few months—is kept in the dark during the period if the applicant does not voluntarily disclose.

In my opinion, such delay in publication is not in accordance with the constitutional purpose of the patent system. Nor does such delay in preventing needless duplication of patent applications, promote technological advances or apprise potential infringers of their pending liability as would the adoption of section 123.

I also would like to comment on section 147 of H.R. 5924 which deals with the route to be taken by an appeal from a patent office decision denying the patentability of one or more claims in the patent application. This section and the recommendation from which it stems have been criticized as downgrading the specialized legal and technical expertise of the Court of Customs and Patent Appeals, by placing it under the appellate review of the U.S. Court of Appeals for the District of Columbia. Such criticism is unwarranted, as this was not the intent of those who made the recommendation, nor is it the effect of the proposed legislation.

Judicial review of Government agencies does not exist because courts are supposed to have specific legal or technical expertise in the specific area concerned. Judicial review exists to prevent arbitrary official action, set outer limits on official agency judgments, and keep specific legal areas within the mainstream of legal development. Both the Patent Office and the judiciary as a whole have an active role in shaping the patent law.

The Supreme Court has sought to guide the Patent Office in following the standards of patentability and the rules of law that the judiciary sets in infringement cases. The court said in the *John Deere* case that it had "observed a notorious difference between the standards applied by the Patent Office and by the courts." It is obvious that if the courts considering the allowability of the application apply a lower standard of patentability than do the courts in infringement cases, many litigated patents would be found invalid and issued patents will not be respected. For this reason, our Commission sought a way to bring the standards of the courts directly reviewing Patent Office decisions more in line with those of the courts which hear infringement cases.

Under the present system, the various U.S. district courts and courts of appeal hear infringement cases. A patent applicant may appeal to either the District Court for the District of Columbia or to the Court of Customs and Patent Appeals. Should such applicant choose the district court, its decision is reviewable by the district court of appeals. The court of appeals hears all varieties of legal cases, and a wide range of economic cases involving administrative agencies.

However, should the applicant choose the Court of Customs and Patent Appeals route, as a majority of the applicants do, the only appeal therefrom is to the Supreme Court, and the Supreme Court can accept very few patent cases. The Court of Customs and Patent Appeals does not hear either general legal cases or infringement cases, and it is not presently reviewable by an appellate court which does. The Commission, after careful study, recommended what it considered the most advantageous way to insure that the appropriate standards and rules of law are applied to the Patent Office.

In conclusion, I would like to comment on the reaction to the Commission's recommendations that has come forth from various segments of the patent bar.

I have heard patent lawyers say that there should have been more patent lawyers on the Commission. I even have the uncomfortable feeling that many patent lawyers are convinced that I am a traitor to my profession and that my fellow patent lawyer on the Commission, Howard Clement and I, inadequately represented our profession in the deliberations of the Commission.

I have a letter from a brother at the bar asking whether, now that the Commission has expired, I am going to put on my patent lawyer's white hat and really and sincerely represent the profession. The answer to that question (and the submission which I make to this committee) is: The patent system and the laws enacted by Congress in implementation of the great constitutional purpose of patents, do not constitute the private domain of those who have become skilled in the interpretation of the laws and who practice under a system in serving inventors and the owners of patents. Our patent system belongs to our society and to every segment of it. I hope that you gentlemen in Congress agree and you will be concerned, just as we on the Commission were concerned, with the formulation and adoption of a system that satisfies all of the interests of the total American community.

I have been informed that the patent, trademark and copyright section of the American Bar Association selected a committee to study the Commission's report and make their resolutions. This committee did so study, and at least favored a few recommendations, such as preliminary applications, the applicant having the burden of persuasion, and revocation.

However, when the section as a whole voted on the Commission's substantive recommendations, major and minor, even these committee's resolutions were defeated. The result was a view almost 100 percent negative to any changes they had not previously themselves suggested.

In effect, that group of patent lawyers, with the minimum of investigation, said that almost everything the Commission recommended after many dedicated months of impartial and thoughtful study and debate, was flat out and out wrong. In fact, I have seen these reports which have labeled many of our recommendations as being "anti-patent" recommendations.

It is my sincere hope that the voices which oppose our recommendations, without the benefit of constructive counter proposals and for reasons other than fulfilling the constitutional basis for the patent system, be given the weight they deserve.

I shall be happy to try to answer any questions that you may have for me.

Mr. KASTENMEIER. Thank you, Mr. Neuman. I certainly concur in the statement you make on page 8 that "our patent system belongs to our society and to every segment of it," and not merely to the practitioners. I would hope subsequently that that would be reflected in subsequent testimony by them.

I would like to inquire as to the general view of the Commission. You indicated that you concurred in that view. Specifically do you have any reservations or any contrary recommendations to either the Commission report or to the language of the bill before us, which is in some particulars different from the Commission report?

Mr. NEUMAN. I stand solidly with our report. This leads me now to say that I am very unhappy because there is nothing in this proposed

bill implementing our recommendation XXII which I consider very important from the standpoint of having a strong and equitable patent system.

Mr. KASTENMEIER. The rule of reason recommendation?

Mr. NEUMAN. Yes, the declaration as to the licensable nature of the patent insofar as the field of use restriction is concerned and then the adoption of a rule of reason for guidance in connection with the misuse defense which we run into in almost every patent infringement action.

As I say, I am very unhappy about its omission.

One other thing that I do not like in the proposed bill is the addition of Government agencies to our Recommendation XV which provided for cancellation. As we made our recommendation it was limited to a member of the public. The drafters of the legislation have added in section 257 "the head of any agency or department of the Government." This is not in keeping with what we on the Commission had in mind. The reason I do not like it is that it is language which would even permit the Patent Office itself, after having granted the patent, to institute a revocation proceeding. I don't think the agency which grants the patent should have the power or the right to initiate a cancellation proceeding. We were thinking in terms of a cheap, inexpensive way for a member of the public, who discovers a good reference overlooked by the Patent Office, to obtain a ruling by the Patent Office, that it does or does not meet the issued patent within this limited period of three years.

As the section has been proposed by the drafters of the bill, it would enable any governmental agency to come in and secure a cancellation of a patent, to the great harassment of the patentee.

One other thing that is slightly different from our recommendation XXI is the additional language which was inserted in section 271(b) having to do with the importation of a product made by a process which is patented in this country, the process having been practiced in a foreign country. I would like to see that section kept in the form which our report recommended.

Mr. KASTENMEIER. As to cancellation, I take it that you felt only a person or corporation really adverse in interest should seek a cancellation?

Mr. NEUMAN. Yes.

Mr. KASTENMEIER. And not some agency purporting to act in the public interest, but without a direct adverse interest.

Mr. NEUMAN. That is it, Mr. Chairman. This idea of the citation opposition period or the notion of a cancellation period is brand new as far as an American patent system is concerned. We felt that they should be initiated, if at all in this country, on a very restricted, limited basis. They have revocation proceedings and cancellation procedings in many of the foreign countries. They are full blown litigated matters. They are interparty matters and they are very expensive. What we had in mind was a simple, inexepensive, ex parte proceeding whereby during the citation period an overlooked reference could be called to the attention of the patent examiner or similarly during the cancellation period a reference which was not considered by the Patent Office examiner could be called to his attention.

This is why I say, as I do, that I think if we start these proceedings or these new procedures in this country they should be on a very much controlled basis.

Mr. KASTENMEIER. Mr. Neuman, do you personally feel that we have the best patent system in the world?

Mr. NEUMAN. Yes, I do. I have always felt that we have the best system. In fact, I like our present system. But I think, and again I am not being bashful, I and others on the Commission tried to go at this in a statesmanlike way. I think that our system is a very good one. I think our technological supremacy comes directly from the kind of patent system we have had here. But I think we have now reached the point where we can only continue to maintain that supremacy with another type of system which copes with present conditions and yet fits into the constitutional purpose of patents.

Mr. KASTENMEIER. I have just two other questions.

On page 4 you suggest as to the preliminary filing, referring to what an inventor could do, that—

He could file a written description of his idea with minimal requirements as to form, and then have the freedom to publicly discuss and improve his invention.

The subcommittee wrestled with what preliminary filing really involves. § 120(a)(2) states: "the invention sought to be patented, including every feature recited in the claims therefor, is disclosed in the preliminary application", et cetera. How simple in your view is this preliminary application or how detailed, and how difficult really is it to perfect a preliminary application? It seems to be a fairly broad question as to what is really intended by the requirement.

Mr. NEUMAN. In the first place, Mr. Chairman, you don't have any claims in this preliminary application. It is going to be a simple disclosure. Now it should be distinguished from the complete application which under our plan will continue to be the present type application which requires a full and complete disclosure and the best mode which requires a specific embodiment and which also requires the claims which we have under the present practice.

The preliminary application as I view it will be a disclosure not necessarily including and not requiring a specific embodiment, but such a description of the concept that you can say the complete application filed a year later is reasonably grounded in that description.

I think that it will have to be the sort of document that is required under the present interference practice where you have had a prior conception of the subject matter of a claim. Keep in mind now that when you have an interference the claim has already been formulated and has been allowed, so it is a precise definition of the invention in claim language. In the interference the parties are required to prove that they conceived on a given date, the subject matter of that claim.

Now they do it either by oral disclosures to witnesses or by documents. I would imagine that the preliminary application would be the same thing as a document which you would produce in an interference and say, well, here is my evidence of the conception of the subject matter of that claim. That document would have to contain as I say a reasonably certain description of the invention as finally formulated and put into claim language. The distinction that we were trying to make was that you would not have to have a specific embodiment. By that I mean the precise water jug that I am holding up.

But you would by words describe this water jug and use those words as the basis for a claim at a later date.

Mr. KASTENMEIER. On receiving a preliminary application would the Patent Office make any determination as to its adequacy?

Mr. NEUMAN. No. Under our plan it would be filed and it would not be looked at or come into play until something occurred in the Patent Office and the inventor then said, "Well, you have to go back now, I filed a preliminary application on such and such a date and you will find that I there describe this same invention."

Mr. POFF. Will the gentleman yield?

Mr. KASTENMEIER. Yes.

Mr. POFF. The comoplete application will not achieve for him the earlier filing date unless the procedures prescribed by the law are followed in connection with the preliminary application. Is that not correct?

Mr. NEUMAN. Yes. He will have to claim the benefit of it in order to get this earlier effective filing date.

Mr. POFF. At that point he will have to show, as the language of the bill very plainly says, to my mind, that he disclosed every feature recited in the claim. I have only seen a few claims in my life but it would seem to me that it would be difficult to disclose a feature in a claim without articulating the feature.

Mr. NEUMAN. When we say disclose every feature, this is what I was trying to express before, you must use words which would amount to a disclosure of that feature even though you did not use the precise word or draw the precise element. This was the distinction I was trying to make before.

You have that same problem now, Mr. Congressman, in an interference where the claim in issue has six elements. So, you say there are six features in there. Now in order to win that interference you have got to prove that you had a conception of those six elements or features that are in the claim and you do it by proof. Usually it is a document, as I said before, and that document will not constitute your conception unless it reasonably satisfies the features or elements of the claim which was finally drafted.

Mr. POFF. Thank you.

Mr. KASTENMEIER. I have one other question. On page 5 you suggest that society might benefit from earlier filing and from publication and so forth under the first-to-file system.

In some prior testimony, at least one inventor suggested that for him and for many others in his predicament the present system is superior because he wouldn't be required prematurely to file this preliminary application. This witness said that if you are prematurely caused to file a preliminary application this may interfere with your development of your own basic or fundamental invention. He would feel, as he states, disadvantaged by it.

Would this not be the case?

Mr. NEUMAN. I do not follow that line of reasoning because the preliminary application on file is not a public disclosure. It is not available to the public. I don't follow this line of argument for that reason. It seems to me that under our plan, if you have concept "A" and you put it in a preliminary application, you then file that. You then move from concept "A" to these related concepts and you work

on them. No one knows anything at all about the preliminary application except as you, the applicant, chooses to either publish a paper or put it into commercial use. This is exactly what happens today, the only difference being that today you can publish and then you have the 1-year grace period in which to get on file. Or you can go into public use and you have the 1-year grace period in which to get on file.

Now we have proposed the elimination of the grace period when we say that the applicant will have this preliminary application route. So it just seems to me that the two are equal, that there is no difference under our plan and what occurs today.

Mr. KASTENMEIER. Perhaps I do not understand the argument that was made by a previous witness but let me put it this way: Would it not be the case that if one feared competition one would have to file a preliminary application and a year later perfect his application, while on a first-to-invent basis, one need not disclose his invention, and could develop it until a later date? That is, he would have greater latitude in time?

Mr. NEUMAN. This is where I think we tried to put our finger. This is in a sense contrary to the public interest; under the present system you can have your idea and fool around with it for many, many years provided you don't publish and provided you don't go into commercial use. You can take, let us say, 10 years for developing, but you are going to have to be very careful, even today, if you want to take 10 years for developing, because if anything leaks out to competitors as to this secret, private development, they may get ideas and they may go on file before the man who originated the development went on file and you are going to ultimately wind up in an interference.

So, under our plan I think that you will be permitted, you will still have the right to carry on your development up to the point where you feel you have worked out all the bugs and then file a preliminary if you want to or file a complete application.

I cannot see that there is any difference from the standpoint of the idea or the concept being stolen or there being accidental divulging of it. You have that today and I think you are going to have it under our proposed plan.

Mr. KASTENMEIER. Thank you, Mr. Neuman.

Mr. Edwards?

Mr. EDWARDS. I have no questions, Mr. Chairman. I have found Mr. Neuman's testimony very enlightening.

Mr. NEUMAN. Thank you, sir.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. Is it fair to say that the only way the bill expedites public access to the invention is the requirement for publication?

Mr. NEUMAN. I think the two go together, requiring accelerated filing and the compulsory publication, whereas today, Mr. Congressman, some of these cases are in the office for 10 years, some 15 years, and this is where our real headaches come from in the patent suit. If you have an application that has been in the Patent Office for many years, we call them "sleeper" applications, the claims are constantly being revised. I have a feeling that this is contrary to the objectives of a patent system to permit that sort of thing. The public should know what has been done by others, so that there is no duplication of effort. And, secondly, to enable that member of the public to work out his own de-

velopments or come up with his own improvements. This will all make, I think, for a better technological society.

Mr. POFF. I understand from your testimony that you favor, apparently without reservation, the concept of universal prior art as that is defined in section 102. Is that correct?

Mr. NEUMAN. I favor the extension of the prior use bar to foreign countries. If you want to call that universal prior art, we do have at the present time universal prior art in the sense that publication anywhere in the world is a bar to a patent in this country.

Mr. POFF. It would take a lawyer to recognize the careful language you choose in answer to my question, and I am a lawyer. I am not a patent lawyer and no member of the subcommittee is a patent lawyer. Contrary to the criticism that courts should have expertise in this field to render justice, if that was applicable then this subcommittee would be incapable of drafting laws with respect to expertise, but your answer was not quite responsive to my question.

Mr. NEUMAN. I am sorry, sir. In 102 of this bill we say "was known to the public."

Mr. POFF. Yes, sir.

Mr. NEUMAN. "Or made available to the public by means of a disclosure in tangible form or in public use or on sale."

Mr. POFF. Yes, sir.

Mr. NEUMAN. That means anywhere in the world according to our recommendation.

Now "known to the public" means that it was known in the sense that it could be reproduced, that there was enough knowledge extant so that any man skilled in the art, on the basis of that knowledge, could reproduce this invention.

Mr. POFF. Is that a term of art? Are those words defined as you have just defined them in case law, "known to the public"?

Mr. NEUMAN. We have in the present law something very close to "known." I don't think it says "known to the public." I think the present law simply says "known," either in 102 (a) or (b).

Mr. POFF. I will read that, if I may, into the record.

Present law, section 102:

A person shall be entitled to a patent unless (a) the invention was known or used by others in this country or patented or described in a printed publication in this or in a foreign country before the invention thereof by the applicant for patent.

Mr. NEUMAN. I think we have improved on the present section because the present section simply says "known" and we had quite a discussion about it. We thought "known" should be spelled out as not simply known to one person but known to the public. Then we went on to say, "or made available to the public by means of a disclosure in tangible form."

There we were thinking of a tape recording of an oral disclosure made at a scientific meeting. That would be the tangible form of the knowledge that we had in mind. I think we have improved on the present section because it says "known" and this could mean anything. I think the decisions, however, have construed the word known as we now have it in the law to mean known generally and not simply known to one person who has just kept it in his head and has not made it available to the public.

Mr. POFF. The word "known" in the present law has application only within the United States. The words "known to the public" in section 102 of the bill would have application worldwide.

Mr. NEUMAN. Yes, sir.

Mr. POFF. Do you think that extension of the definition of prior art would increase the validity of patents?

Mr. NEUMAN. I think it would because under the present law we are limited to the public knowledge in this country. If there is provable public knowledge in the foreign countries this should be applied against a U.S. patent so that it does not represent a limited type of monopoly which we have in this country. In other words, it is not a valid patent if there is this provable public knowledge in a foreign country.

Mr. POFF. Do you think that the new language with its worldwide application would encourage or discourage the commercial exploitation of the patent, bearing in mind the possibility that any person in the world, after the grant of the patent and after the investment of the entrepreneur, might produce prior art which was not known at the time the patent was granted?

Mr. NEUMAN. I think it is a matter of degree. This very thing you are talking about can happen so far as American public knowledge is concerned. It is simply a question of just how much more disastrous is it if you could bring in foreign public knowledge to invalidate a patent. But the disaster can come, sir, right within this, and I have seen it happen many times, a patent has been granted, investments have been made and then, lo and behold, someone turns up a prior public use that invalidates the patent. I think it is a matter of degree. We have simply recommended extending the danger that exists today with respect to a patent.

Mr. POFF. Well, it rather substantially enlarges the scope of the danger, does it not?

Mr. NEUMAN. It does that.

Mr. POFF. And that might possibly discourage investment. If it does I wonder if that does promote the constitutional purpose.

Now my next question is somewhat related to that. Would you care to discourse for the record on why you think recommendation XXII would promote the constitutional purpose?

Mr. NEUMAN. I sat up until 2:30 this morning writing a speech that I am going to deliver next week before the Practicing Law Institute in New York on that very subject, so I should be able to provide a form of discourse.

The Commission was interested in upgrading the patent system. The Commission was interested in improving the quality and the reliability of patents. It seemed to us that if you are going to have a good patent system with good high quality patents, that the patent grant should not be a bundle of uncertain rights which I feel is the attitude of the Department of Justice. They will acknowledge that the patent grant is proper and they will acknowledge that the patentee has certain privileges. But I think they claim for the Antitrust Division of the Department of Justice the right to whittle away at the patent grant as it pleases.

We on the Commission felt that there should be a statutory declaration of the licensable nature of the patent. This should bring the two

systems into, at least we feel it should, into better balance. It will or should step up the tracing in patents. The patentees can deal with their licensees with a little better peace of mind. It is arguments of that nature that I intend to present in favor of our recommendation.

Now similarly there is this great uncertainty as to what are per se, violations of the antitrust laws, and whether there are, per se, misuses of patents. We know that you can't use your patent on a machine to control the unpatented product that is used in the machine. Some of those rules are pretty well established.

We have no desire to question them, we don't quarrel with them. But the ingenuity of lawyers advancing misuse defenses has no limits. It just seemed to us that we should have a rule of reason for appraising the propriety of the validity of a condition which is imposed by a patent owner upon his licensee in a sort of case-by-case approach. What might be reasonable in one patent case might be unreasonable in another patent case. This is all that we have asked for in that recommendation.

Mr. POFF. Mr. Chairman, I thank the distinguished witness. I think he has contributed a great deal to our general understanding of this extremely difficult, sometimes obscure field of the law.

Mr. NEUMAN. Thank you, sir.

Mr. KASTENMEIER. Thank you, Mr. Neuman, for a very enlightening presentation.

The Chair would like to announce that this concludes this morning's hearing.

Next week, on May 25, 1967, at 10 a.m. in this room there will be a hearing, at which time the committee will hear from Edward F. McKie, Jr., chairman-elect of the Patent Trademark and Copyright Section of the American Bar Association. There is a possibility that Mr. Frank Pugsley, of the American Patent Law Association, or another witness, may also appear. In any event, we will hear from Mr. McKie.

Mr. POFF. Mr. Chairman, simply for purpose of the record, I have a conflict at that hour. I will be attending Subcommittee No. 4, which is conducting a hearing on a bill which I introduced. I hope I will be forgiven if I am in attendance at that meeting that morning.

Mr. KASTENMEIER. We will miss you, Mr. Poff, but we will keep that in mind.

Until May 25 at 10 a.m., the committee stands adjourned.

(Whereupon, at 12 o'clock noon the committee was recessed, to be reconvened at 10 a.m. Thursday, May 25, 1967.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, MAY 25, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier, acting chairman, presiding.

Present: Representatives Kastenmeier, Edwards, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel, and John W. Dean III, associate counsel.

Mr. KASTENMEIER. The subcommittee will come to order for further hearings on H.R. 5924, the Patent Reform Act of 1967. The subcommittee is pleased to welcome as its witness this morning Mr. Edward F. McKie, Jr., chairman-Elect of the American Bar Association's Section of Patent, Trademark, and Copyright Law.

Mr. McKie, we welcome you. You may proceed as you wish. Perhaps you would like to identify your colleague.

STATEMENT OF EDWARD F. McKIE, JR., CHAIRMAN-ELECT OF PATENT, TRADEMARK, AND COPYRIGHT LAW SECTION, AMERICAN BAR ASSOCIATION, ACCOMPANIED BY WILLIAM E. SCHUYLER, JR., CHAIRMAN OF THE SECTION'S COMMITTEE ON PATENT SYSTEM POLICY PLANNING

Mr. MCKIE. Yes, please. Thank you, Mr. Chairman. This is Mr. William E. Schuyler, Jr., of this city who is chairman of the section's committee on Patent System Policy Planning.

Mr. Chairman, I have been employed in the patent field since 1949 when I began work as a patent searcher and trainee with the Washington office of a New York law firm, while attending evening law school at Georgetown University.

Since 1952, I have been engaged in the private practice of law, specializing in patents, in Washington. My firm and I have engaged in every area of patent practice, from novelty, infringement and validity investigation, to patent application preparation and prosecution, to patent litigation and to general patent advising.

At the present time about 75 percent of our billing is in patent litigation in which we represent some of the largest firms in the country, but we also represent a large number of individuals and small companies.

We also represent large foreign companies with substantial U.S. patent interests, and we have for years guided the foreign patent interests of a number of domestic companies.

Mr. Schuyler has a similar but even more extensive background. Both he and I are adjunct professors at Georgetown Law Center. Both of us have devoted a great deal of time to Bar Association activities. Mr. Schuyler is a past chairman of the Patent section and is currently a member of the Council, while I have been a member of the Board of Managers of the American Patent Law Association for the past 6 years.

I tell you all this so that you may judge what we have to say in the light of the experience we have had and the amount of time we have devoted to work in and study of the Patent system. In that connection, I of course have in mind Mr. Neuman's suggestion that you give our testimony the weight it deserves.

In that regard, I would like to express my own admiration for the amount of time devoted by the members of the President's Commission to their studies. However, I must also add that the organized patent bar has also devoted a considerable amount of time to the same subject, as my partners will attest at billing time.

Authority for Testimony: Our authority for speaking on behalf of the American Bar Association is expressed in the following resolutions which set forth the official position of the association:

Resolved, that the American Bar Association is opposed in principle to:

(a) Elimination of the grace period within which application may be made for a patent after the public use or sale of the invention or the patenting or publication of the invention, and

(b) Any change in the law which would have the effect to awarding the patent only to the applicant who is the first to file his application, and is opposed therefore to Sections 102(a) and 102(b) of S. 1042 and H.R. 5924, 90th Congress.

2. *Resolved*, that the American Bar Association favors in principle permitting the owner of an invention, whether or not he be the inventor, to file a patent application covering that invention provided that the inventor or inventors be named in the application.

3. *Resolved*, that the American Bar Association appeals to the subcommittees of the Senate and the House, to which S. 1042 and H.R. 5924 have been committed, to defer the submission of their respective reports on said bills to their respective full committees until such time as the American Bar Association and other interested parties shall have had reasonable opportunity to fully consider S. 1042 and H.R. 5924 and any proposed substitute bills, except that such deferment is not requested to extend beyond May 1, 1968.

Deliberations by the American Bar Association: The American Bar Association has a membership of over 120,000 lawyers drawn from all parts of the country and representing clients in all walks of life. Much of the work of the Association is carried on by "sections" representing specialities in the law, such as taxation, corporations and banking, antitrust, patent, trademark and copyright, and the like.

The Section of Patent, Trademark, and Copyright Law, which I will for brevity call the Patent Section, is the oldest of all the specialty sections, having been established in 1894. Most of the 3,200 members of the section confine their activities strictly to one or more of these branches of the law.

For many years, and in fact since its inception, the Patent Section has worked continuously to improve the American patent system. That work is carried out through a number of committees, whose recom-

mendations are debated in annual section meetings of several days duration.

In such fashion the section has recommended many constructive changes in the patent law. For example, nearly 30 years ago, in 1939, the American Bar Association, upon the recommendation of the Patent Section, adopted a resolution recommending that the term of a patent extend 20 years from the filing date of the application.

Even though our recommendation was made almost 30 years ago, we are pleased to cite it in support of section 154 of H.R. 5924, 6043, and 6975. Since these bills are identical, I will refer only to the first-introduced from hence forward.

In 1951, the American Bar Association recommended a relaxation of the rules for filing applications on inventions made by more than one inventor. Section 116(b) of H.R. 5924 follows that recommendation and we are pleased to support it.

Prior to the report of the President's Commission, the American Bar Association recommended that the owner of an invention be permitted to file the patent application, provided the inventor is named. This principle is now embodied in section 111 of H.R. 5924 but is restricted by section 115 which requires the owner to obtain both an assignment and an oath of invention signed by the inventor. Thus, H.R. 5924 does not relax the rigid requirements of the present statute, but merely changes the timing.

Members of our association and section were extremely active in the revision and codification of the patent laws into the 1952 Patent Act which is currently in effect. That Act was the result of a cooperative effort by the patent bar, and representatives of the Patent Office, with the Congress and its committees.

I mention these things, not to seek credit for our ideas, but to show that we as lawyers are not always opposed to change. Nevertheless, we are opposed to change solely for the sake of change, and to unjustified change that will eliminate some of the basic features of a system that has been so important to the technological development of this country to the preeminent position it enjoys today.

That is the reason for our opposition to some of the drastic changes that would be made by H.R. 5924.

About 4 years ago, the council of the ABA patent section created a special, long-range planning committee which was given the title of Patent Policy Planning Committee. It was directed to anticipate the needs of the patent system and develop solutions for problems that might occur in the future.

We gave particular attention to the problems of better claim drafting, streamlining interference practice, overcoming delays in the Patent Office and increasing the reliability of patents.

When, about a year later, the President's Commission was established, we sought from the Commission and were given a list of topics or areas of the law that they planned to explore. These topics were considered by the committee at great length.

As part of that consideration and to aid the Commission in its studies, the section put on a debate in February of 1966, on each of 15 topics, including most notably the elimination of the grace period, and the first-to-file system.

Mr. Neuman and a number of other members of the Commission attended that session and interrogated the debaters on the topics treated. A number of the Commission members were kind enough to express their thanks for the help those debates were to their understanding of the proposals they were considering. The transcript of the debate was also circulated to the entire section membership.

This, gentlemen, is a copy of the transcript which was circulated, and to the Commission of course.

Mr. Schuyler's committee then had a number of other meetings and numerous recommendations by that and other committees were debated and voted upon at our annual meeting in Montreal in August 1966. Further action on most of these resolutions was deferred, pending publication of the report of the President's Commission.

Following the publication of the report in December 1966, we reviewed our previous actions, and since February 21 we have, of course, been concentrating on the expression of most of these recommendations in H.R. 5924.

The section's Patent Law Revision Committee (45 members, under chairmanship of Donald W. Banner, of Chicago) immediately began intensive consideration of the recommended changes, and Mr. Schuyler's Patent System Policy Planning Committee began drafting alternative recommendations, all in preparation for an extraordinary meeting of the section scheduled for April 27 to 29 in Washington.

Incidentally, I understand that this is the first such special meeting since the act of 1952.

(I was interested to note Mr. Neuman's reference to approval by the committee of certain of the Commission's recommendations. He did not mention that "first to file" was opposed by 93 percent of the committee and elimination of the grace period by 91 percent.)

Over 400 members of the section attended the meeting in Washington, which lasted 3 days. Full consideration was given to the committee reports expressing positions on the many changes proposed by H.R. 5924, and a tentative draft bill based upon previously established positions of the section. The results of that consideration are in part expressed in a number of resolutions which will be recommended to the house of delegates of ABA for consideration at its August meeting in Honolulu.

Knowing that this committee, as well as the comparable Senate committee, were holding hearings on H.R. 5924, the board of governors on May 15 gave emergency approval of the section's opposition to complete elimination of the grace period and the first to invent system, which are two of the most significant features of that bill.

The association positions on other provisions of the bill and on constructive alternatives to them must await the house of delegates meeting.

However, Mr. Schuyler's committee is continuing with preparation of a draft bill and it is expected that this work will shortly be completed, in preparation for final consideration by the section in Honolulu August 5 to 9.

It is hoped that this continued effort by the American Bar Association will come to fruition in a proposed revision of the Patent Code which will go far to accomplish the objectives set forth by the President's Commission report and by the President in his letter of transmittal to Congress.

The American Bar Association is completely in accord with those objectives but is of the firm conviction that they will not be accomplished by elimination of the grace period, and by the first-to-file system, as proposed by H.R. 5924. On the contrary, it is our firm conviction that those features of the bill will strongly adversely affect desirable features of our present patent system.

Philosophy of the American patent system: Under the Constitution, Congress is empowered to promote the progress of useful arts by suitably rewarding inventors. Congress has done this by creation of a patent system which awards a limited monopoly to the first inventor to exclude others from using his invention for a limited time.

From its very beginning in 1790, the U.S. patent law has been firmly committed to the philosophy of rewarding the first to invent, rather than merely the first to file a patent application on the invention.

Incidentally, I have noted Congressman Hutchinson's query to Mr. Francis Browne concerning the origin of the first-to-invent system. That system was not new with the 1836 act because even under the registration system of the 1793 act, priority between several applicants was decided by arbitration.

Though the 1836 act did institute the first full-fledged examination system in the world, and it did provide for determination of priority by the Commissioner, it did not introduce the first-to-invent principle to our law.

In the last 130 years, we have seen the United States change from a frontier economy to become the most industrially advanced nation in the world. In fact, a recent publication of the Commerce Department ("Technical Innovation: Its Environment and Management") indicates that the balance of payments for technical knowhow, patent royalties and the like is almost ten-to-one in favor of the United States.

Mr. Braderman's testimony concerning balance of payments should be interpreted in the light of that fact. The part played by the U.S. patent system in that growth was clearly stated by President Johnson in his letter transmitting the Patent Reform Act to Congress, as follows:

> From the earliest days of our Republic, the patent system has played an indispensable role in stimulating the Nation's progress and prosperity. It has spurred the creative work of inventors and scientists. It has fostered the most far-reaching technological advances in the history of civilization.

It seems quite likely that features that distinguish our patent system from those of countries which have not experienced our remarkable rate of growth, are themselves (at least in part) responsible for that rate of growth.

Surely the most significant of those features is our system of rewarding the first to invent, as opposed to the European system of rewarding the first to file, irrespective of whether he was the first to invent.

A desirable corollary of a first to invent system is a grace period whereby the first inventor is accorded a reasonable time after publication or public use, whether by him or others, to file a patent application, before he is deemed to have abandoned his rights to a patent. From 1839 to 1939 this grace period was 2 years. Since 1939 it has been 1 year.

During this year, an inventor may develop his invention by building and testing it, determine its workability and salability, ascertain its patentability by searching the Patent Office records and carefully prepare his patent application with a complete disclosure of the invention as finally developed in this perfecting process.

As we all know, a large part of this 1-year grace period is often up in first arranging financing to permit developing and patenting the invention.

While a grace period is not as unique a feature of our system as first to invent (the more recently adopted German and Japanese systems have a 6 months' personal grace period), the unlimited aspects of our grace period, make it quite different from that of countries not as advanced technologically as ours.

The significance of that difference in part resides in the difficulty in proving derivation of a publication from the first inventor, which of course would be necessary under a personal grace system.

It also involves the possibility of a competitor cutting off the inventor's rights by publishing or filing a preliminary application on everything the competitor has thought of, merely because the competitor has word of the general area in which the first inventor is operating, though not of the details of the invention.

American Bar Association favors retention of the American first-to-invent philosophy.

The basic American philosophy of giving the patent to the first to make the invention and giving him a year in which to perfect and protect his invention is we believe a far better way to promote the progress of the useful arts than is the European system of issuing the patent to the first to file.

It is for this reason that the American Bar Association opposes sections 102(a) and 102(b) of H.R. 5924, which repudiate our present philosophy of first to invent and propose to substitute therefor the European philosophy of first to file, sometimes referred to as the "race to the Patent Office" system.

This repudiation and rejection of our eminently successful American system is offered to us under the guise of "modernizing" our patent system. But modernizing presupposes something new, not merely a change from one old system to another old system.

As President Johnson has said, "modernization of the patent system is overdue," but we fail to see any modernization in adoption of the basic features of the patent systems of countries which have advanced industrially under their patent systems far more slowly than we have. In our opinion, it is a step backward and would be a serious detriment to our leadership in technology and our economy.

Objectives of the President's Commission: According to the President's letter of transmittal H.R. 5924 was shaped from recommendations of the Commission on the Patent System. In the introduction to its report, the Commission enumerated the following as its objectives:

1. To raise the quality and reliability of the U.S. patent.
2. To shorten the period of pendency of a patent application from filing to final disposition by the Patent Office.
3. To accelerate the public disclosure of technological advances.
4. To reduce the expense of obtaining and litigating a patent.

5. To make U.S. patent practice more compatible with that of other major countries, wherever consistent with the objectives of the U.S. patent system.
6. To prepare the patent system to cope with the exploding technology foreseeable in the decades ahead.

Informed persons who have appraised H.R. 5924 in the light of these objectives generally agree that the objectives cannot be achieved by section 102 of this proposed legislation.

Section 102 of H.R. 5924 will not improve quality of patents.

Whether a patent is issued to the person who claims to be the first inventor or to the person who first files a patent application can have no effect on the quality and reliability of the U.S. patent.

However, if the person who first files a patent application is stampeded into a race to the Patent Office, to describe his only partially developed idea, his application and its information value to the art cannot compare favorably in quality or reliability with that of the inventor who has opportunity to develop his invention from a mere idea to its practical fulfillment and submits to the Patent Office a document describing his invention to the best of his ability.

Any patent issuing on a carefully prepared application will certainly be better and more valuable to the public than one issuing on a hastily prepared application.

If section 102 of H.R. 5924 is enacted, all applicants must first submit hastily prepared applications to the Patent Office for fear that a competitor will beat them to it.

The administration suggestion that only the relatively few applications which get into interference would be affected by change to the first-to-file system, ignores this point, as well as the fact that a very substantial number of applicants are now able to show their prior invention of subject matter not claimed by persons who file earlier, without ever getting into interferences.

Provision for the piecemeal preparation of numerous preliminary applications will compound the problems and contravene objectives of the President's Commission as will appear below.

Section 102 of H.R. 5924 will not substantially shorten pendency of patent applications.

If the Patent Office maintains its same standard of proficiency, the period of pendency of all but approximately 1 percent of pending patent applications from filing to final disposition by the Patent Office will remain the same, whether the patent is issued to the first applicant to file an application or to the person who first made the invention.

Much emphasis is placed upon the assertion that H.R. 5924 will eliminate interferences. Under the present statute, only about 2,400 of all pending applications are involved in interferences and constructive proposals which we hope to make will reduce that number to about one-half of 1 percent, of the present 200,000 applications.

Certainly, an efficient administrative agency can find some way of expeditiously disposing of the one-half of 1 percent of applications in which the priority of inventorship may be contested. The proposed 20-year term from the filing date surely will provide the applicant with incentive to assist toward that end.

Section 102 of H.R. 5924 will delay public disclosure.

While section 102 pretends to accelerate the public disclosure of technological advances by providing for automatic publication 18 to 24 months after filing—actually it is not section 102 that does that

but, another section of the bill—in fact, public disclosure of worthwhile technical advances will be delayed beyond present practices, as has been pointed out by Professor Bardeen and Mr. Malloy.

Indeed, Professor Bardeen has suggested that the freer exchange of scientific information, which is possible under our first-to-invent system, may be an important contributing factor to the technology gap between our system and the much more secretive European countries, which operate under the first-to-file rule.

Certainly no one will dare make a public disclosure of any technological advance before a patent application is filed. Even if an inventor is given a personal right to publish his own work, he could not safely do so because he would run the risk of someone copying it and beating him to the Patent Office with a hastily prepared patent application.

While he could, under H.R. 5924, incur the expense of resisting the issuance of a patent to the person who discovered his publication, he could not obtain a patent for himself.

Section 102 affords larger organizations with the advantage of personnel and equipment the opportunity to outmaneuver the inventor in the smaller organization and the independent inventor.

Where an inventor publicly discloses his invention and relies upon the present patent laws to protect him, industrial espionage fails. Should section 102 of H.R. 5924 be enacted, industrial espionage could well become the order of the day in order to thwart the individual or organization who is making the greatest contribution.

Rather than accelerate the public disclosure of technological advances, elimination of the 1-year grace period and issuance of a patent to the winner of the race to the Patent Office will compel inventors to shelter their ideas and inventions until a patent application has been filed.

Section 102 of H.R. 5924 will increase expense of obtaining and litigating patents.

To measure the expense of obtaining and litigating a patent under H.R. 5924, let us consider the situation of a continuing development where it is estimated that at least three preliminary applications will be filed where only one application is filed today.

Preparation of the preliminary applications is an expense which the inventor today need not incur. As pointed out in earlier testimony, particularly by Mr. Cappello and Mr. Malloy, the requirements for a preliminary application are such that it can safely be prepared only by a skilled attorney, if the application is to be of value to carry the applicant's filing date back of his complete application.

Of greater consequence, may be the argument with the patent examiner as to the effective filing date of the final application. Actually, the effective filing date cannot be determined until the final claims are evolved and the final claims cannot be examined until the effective filing date is known.

Patent examiners will be faced with a situation of which came first. A reference may be effective against one claim, but not effective against another.

Normal proceedings in the Patent Office on this issue alone could well exceed the cost of prosecuting a patent application today. Even after the patent has issued, the question of the effective filing date of

each claim may still be questioned in litigation and this is a matter which ordinarily is not involved in patent litigation today.

Thus, issuance of a patent to the one who first filed a preliminary application supporting the invention can increase the cost of obtaining the patent and the cost of litigating a patent. Such added expense would likely occur in many more cases than are involved in interferences under the present law.

Section 102 of H.R. 5924 sacrifices U.S. patent system for sake of international uniformity.

A strong argument is made that most other countries issue a patent to the first to file a patent application. But let us examine the motives in those other countries. In the first place, in most foreign countries 30 percent or less of all applications are filed by nationals of those countries. Compared to that, of all applications filed in the United States, 70 to 80 percent are filed by U.S. citizens. One major objective of foreigners filing in their own countries is to obtain a date which will give them the best opportunity to obtain a patent in the United States.

Under U.S. law, the best a foreigner can do is to file an application promptly in his own country. Hence, the filing date system in most other countries is motivated to a large extent to enhance the applicant's opportunity to obtain a patent in the United States. Making the U.S. system compatible with other countries does not have a parallel objective.

Moreover, as confirmed by Mr. Braderman's testimony, by far the majority of U.S. inventors do not file abroad, so that "compatibility" is of no interest to them. It is an odd argument that states it to be advantageous to such persons to cut off their right to file here by reason of disclosure of their inventions before their filing date, in order to be sure they can have an unwanted right to file abroad.

Section 102 of H.R. 5924 does nothing to prepare U.S. patent system for exploding technology.

While no one can argue that it is desirable to prepare our patent system to cope with the exploding technology, what does the date accorded an inventor or the filing of his application have to do with such preparation and what does a grace period have to do with such preparation? No one will dispute that a worldwide library of all scientific and technological information will some day be available, with high-speed retrieval systems placing such information within reach of anyone who wishes to inquire.

But now is not the time to enact a patent law to take advantage of such a library, when it is beyond the existing competence of the art; at such time as the universal library is available, the Congress will certainly take whatever steps may be necessary to take full advantage of it.

To enact a patent law today which would destroy the equitable principles of the American system of rewarding the first inventor and require absolute novelty on a worldwide basis is to ignore the practicality of providing an incentive system in the world in which we live today.

Summary: The American Bar Association favors retention of the 1-year grace period provided in 35 U.S.C. 102(b) because it gives the inventor sufficient time to perfect his invention before filing a patent application, even though it may be necessary for him to place his invention on sale or in public use in order to do so.

In addition, it gives the inventor or his lawyer sufficient time to carefully prepare an application which makes a complete and adequate disclosure of the invention because he need not rush into the Patent Office in order to protect himself.

Finally, the 1-year grace period places no obstacle in the way of an inventor who wishes to share his development with others, either by conversation, by discussion in seminars by publication, or by demonstration.

For similar reasons, our association favors issuance of the patent to the first inventor. Knowing that his rights are protected, the inventor and his lawyer may take sufficient time to prepare an adequate disclosure of his invention in the patent application; the inventor is free to share his knowledge with others knowing that anyone who endeavors to steal his invention will be unsuccessful; he may freely test it in cooperation with users of the invention whether or not there be a public exposure, because as the first inventor he can protect his rights.

Elimination of the 1-year grace period and changing from a first inventor system to a first to file system will reward the speculative inventor who endeavors to blanket a field, will prejudice the substantive inventor who deliberately completes and tests his invention before racing to the Patent Office; will encourage industrial espionage by those who would endeavor to win the race to the Patent Office; and would prejudice those who are uninformed as to their legal rights, or who lack the resources to bear the expense of filing multiple preliminary applications in order to protect a worthwhile development.

Informed persons who have studied H.R. 5924, and particularly sections 102(a) and 102(b) thereof, and who have endeavored to visualize the logical results of its enactment have reached two major conclusions.

First, large organizations, staffed with personnel aided by computers, will have an advantage in deciding immediately whether to file a patent application or to publish the development in order to preempt a field; consequently, after some period of time, patents on most important inventions will be held by such large organizations because the independent inventor and smaller organization will lack the resources to protect their rights.

Second, the expense of obtaining patents and enforcing them will be so greatly increased that patent lawyers will enjoy a monetary bonanza, incapable of measurement, but surely to occur.

Inevitably, concentration of patent property in large organizations will reduce the value of patents as incentives to invent until the U.S. patent system becomes more of a fiction than reality.

As explained above, the American Bar Association is endeavoring to draft an alternative proposal, which we believe will achieve the worthy objectives of the President's Commission but cannot complete its task for at least another month or so. We understand other interested organizations are likewise preparing alternate proposals. For these reasons, we respectfully suggest that the subcommittee continue its deliberations and defer its report to the full Committee on the Judiciary for a few months until we are able to complete the careful studies now under way. When we have done so, we will ask leave to supplement appropriately our submission today.

Thank you for the privilege of appearing before you.

We will be happy to try to answer any questions that the subcommittee may have.

Mr. KASTENMEIER. Thank you, Mr. McKie, for a very able and useful presentation. The subcommittee is well aware of the work that you and Mr. Schuyler have done in the field of patents.

However, in listening to your statement I am a little distressed, I might say, at the great chasm between your own view of what ought to be in the patent reform and that of the President's Commission. The gap seems to be very considerable.

Notwithstanding Mr. Neuman's advice that we not give undue heed to practitioners, nevertheless, I think it is important that the views be set side by side.

Do you feel that reform of some sort is necessary, or do you think we could get along adequately with the present system without reform?

Mr. MCKIE. I think the American Bar Association membership feels very strongly that reform is desirable. We at this moment have not completed, unfortunately, as I indicated in my prepared statement, our positions on all of these matters, but our Section has reached agreement as to a number of proposed changes that we would make and that we think would go far toward accomplishing the objectives of the President's Commission.

However, as yet we have been able to take final positions only on a relatively few of these because the board of governors, of course, could not go into the detailed consideration of an entire patent code which might be necessary before the house of delegates in August.

With respect to making our position known to you, Mr. Chairman, we feel a very strong obligation in this area. We recognize your obligation, however, and that is to make a judgment between the various conflicting views that you are going to hear.

The other side may be right. We don't think so. By far the majority of the patent lawyers, and we are the people that know the most about this system I suppose, feel that the retention of these two principal features of the present system is very much in the best interest of the entire economy, not of the patent lawyers, but of the economy as a whole, and I am not speaking now only of the inventors or of the companies.

I am thinking of the disclosure value which is, as Mr. Neuman I think has said, one of the principal reasons for having a patent system. We want to get from the inventor a disclosure of his invention so that technology can build on that disclosure so that it is important that the disclosure be as good as can be.

If you eliminate the first-to-invent system and eliminate the grace period you come back from the incentive that we have today to develop the invention as fully as possible and then to disclose. We have some protection in our present system that enables a person, and indeed encourages him, to develop his invention fully before he files. That is very different from, for instance, Great Britain, and I might say here that we, patent lawyers, practice in the foreign countries too because our companies, our clients, file patent applications abroad and I think we, although not as well acquainted with the foreign systems as with our own, nevertheless have pretty considerable acquaintanceship with these systems and how they operate and we don't think that we ought to be going that way in these two particulars.

Mr. KASTENMEIER. I don't know that I would share your strong conviction that the patent system—though I think even those who would sizably reform it would agree it has been a good system—accounts for America's technological industrial advance and preeminence over other industrial nations, let's say in the Western World. I would suppose that there are far more compelling reasons why this country has developed to its present state other than merely the American patent system.

Mr. MCKIE. If I gave the impression that I thought or was urging that the patent system was the sole reason for this preeminence technologically I certainly want to correct that impression.

We think it may be a contributing factor. We think that the conclusions of the Commission and of the President in transmitting the Report and the proposed legislation so indicate. We don't know what features in that system have enabled it to allow us to get where we are, but certainly there are some features in that system that are very different from those of other countries and what we are asking you to do is to take a very careful look at destruction of those very features because they may be a contributing factor and a strong one to our getting where we are today.

Mr. SCHUYLER. Mr. Chairman, might I make one observation on that?

Mr. KASTENMEIER. Mr. Schuyler.

Mr. SCHUYLER. We would suggest that the subcommittee look at the patent law in Italy, for example, as it relates to drugs and compare the development of drugs in Italy with the development in the United States. I think you will find where there is no patent protection the development lags far behind.

Mr. KASTENMEIER. Are you saying there is no patent protection in Italy, there has not been for drugs?

Mr. SCHUYLER. There has not been, certainly not the effective protection that we have in the United States.

Mr. KASTENMEIER. Mr. McKie, in your presentation you indicated that in 1939 we went from a 2-year to a 1-year grace period. What was the rationalization for that? Why did we do that?

If the grace period is desirable ought it not be 2 years?

Mr. MCKIE. There are a number of people that think so, a number of patent lawyers, I am sure, Mr. Chairman. This was an outgrowth of the investigation by the TNEC—Temporary National Economic Committee I think are the words. I was not in the system at that time, so I am not aware of all of the things that they thought about, but they did advocate a number of changes in the system and that was one of them.

There was no suggestion, incidentally, with respect to "first to file" or elimination of the grace period. In fact, it was somewhat interesting to me. I was able to go back through the records of the American Patent Law Association for the last 60, 70 years, to try to find any bills that have been introduced in Congress which provide for total elimination of the grace period and elimination of the first-to-invent system. I found no such bills.

Although there have been a tremendous number of bills, of course, introduced in the last 70 years, I found no such bills along that line.

Mr. KASTENMEIER. Mr. McKie, you do not mention the bill's provi-

sions or the Commission's recommendations with respect to the courts and to the Commissioner system. Perhaps your section hasn't taken a position on that. Do you have any personal comment?

Mr. McKie. Our section has taken a position on that, but we have not been able yet to get through the various avenues that you must go through in order to get approval by the American Bar Association as a whole.

As I am sure the chairman knows, we have a house of delegates which represents the entire American bar and which clears the proposals that are made by the numerous sections of the association. I can speak if you like from personal conviction in this area, but I can't represent the views of the American Bar Association on this particular problem.

With respect to the appellate structure—I assume you are talking about appeal from the Patent Office itself dealing with the patent application prosecution.

Mr. Kastenmeier. Yes.

Mr. McKie. We are opposed to the proposal, which would really be somewhat of a step backward, to have the review of the Court of Customs and Patent Appeals reviewed again by another court, namely, the Court of Appeals for the District of Columbia.

Historically what happened was in 1927 and before we had five different mechanisms of review from the examiner's decision. The applicant could go to the Board of Appeals first and then from the Board of Appeals to the Commissioner, then from the Commissioner to what is now the Court of Appeals for the District of Columbia, then from there back down to the District Court for the District of Columbia and introduce new evidence, and then go back up to the same Court of Appeals for the District of Columbia so, as I say, there were five different mechanisms of appeal.

In 1927 we chopped out two of those. One was to eliminate the Commissioner from that train so that no longer was it possible to appeal to the Commissioner, and the other one was to eliminate this mechanism of going both ways, going up to the court of appeals on the record in the Patent Office, then coming back again to the district court and making a new record which could then be reviewed by the court of appeals.

You got a choice in effect between these two remedies. Then 2 years later in 1929 they found that the Court of Customs Appeals was not too busy at that time and was available to take on the jurisdiction of the court of appeals of the district over direct review of patent office decisions so they transferred that over to the CCPA and since that time, we have had this dual mechanism of review.

This proposal in H.R. 5924 would be to go backward really and add another review to our present system. We think that this is not the right way to do it. We think there are better ways to do it.

A better way might well be to provide for both de novo review and direct appeal review in the same court mechanism with a provision such as they have in New York State for their supreme court in which there is a trial panel or a trial level in the supreme court and an appellate level in the same supreme court.

This kind of a thing might be more effective, would enable us to obtain some of the objectives that would be obtained by the review

of the CCPA decision by the court of appeals and avoid the additional step that would be added by this proposal.

In other words, we would like to reduce the number of appeals rather than increase them.

Mr. KASTENMEIER. I have just one other question and that is why is there the emphasis on favoring the principle of permitting the owner of an invention, whether or not he be the inventor, to file, expressed on page 3, and then on page 5? Do you feel that section 115, which requires the owner to obtain both assignment and oath of invention signed by the inventor, is a restriction?

Are you taking a sort of anti-inventor pro assignee position in this?

Mr. MCKIE. Not at all. This is not intended in any way to reduce the rights of the inventor, but it is intended to avoid some of the complexities that now exist in our system and as a result of that complexity, requiring an oath to be signed by the inventor, and an assignment to be signed by the inventor, before you can file an application—under the present law you must have such an oath—the mechanism of filing applications is so complicated and so delayed that we would like to reduce some of these problems.

I think that the administration proposal here goes part way along that road, but it doesn't go far enough. It should avoid the additional complexity that is present in requiring an oath of the inventor, at least, under the present system.

Mr. KASTENMEIER. With all the complexities involved in filing an application it would seem to me that a form oath and assignment by the inventor would not be that additionally encumbering. It might protect the inventor.

Mr. MCKIE. Well, there may be some cases in which such an oath would be a protection to the inventor, but normally that is not the reason for it and I really can't think of any immediately in which it would have that effect.

The reason for the oath is, historically I suppose, to give the Patent Office some assurance that someone is saying that this is my invention and I believe it to be patentable and so forth.

We don't think that such an oath, such a swearing, is necessary today. It is not used in other countries in the world and in this area I think we can well go the way that they have gone because it would be an improvement. It would reduce the complexity in our system and would be an advantage, but it would not take anything away from the inventor because it would be required that he be identified as the inventor.

Mr. KASTENMEIER. Mr. Edwards.

Mr. EDWARDS. Mr. McKie, as the chairman pointed out, there is a sharp difference between your views and what the subcommittee has heard from previous witnesses and I think we will be looking forward to having you back again when the ABA bill has been prepared.

You bring out several points where it seems to me documentation would be helpful, documentation of your position. For example, on page 11 you mention the possibility of a competitor under a first-to-file system cutting off the inventor's rights by publishing or filing a preliminary report on everything the competitor has thought of merely because the competitor has word of the general area in which the first inventor is operating.

In the great number of countries where the first-to-file system is in operation, is this the practice?

Mr. McKie. This is something I cannot at the present time document, Mr. Edwards.

Mr. Edwards. This is what you fear would happen under an American first-to-file system.

Mr. McKie. That is quite right. I think it does happen to a certain extent at the present time, but the incentive to do so would be tremendously increased by this first-to-file system.

Perhaps Mr. Schuyler has some additional experience in that particular area.

Mr. Schuyler. I think we have approached this on the basis of the advice that we would give our clients in the United States if the administration's proposal were enacted. We do know in other countries which have such systems there is more secrecy and I believe Professor Bardeen made an observation to this subcommittee in that direction, that there is not the exchange of information until the patent application is filed, that the inventor in European countries maintains his development to himself until the application is filed.

We do not know of—at least I cannot document—any instances where anyone has published an invention to preempt someone else. I think this is what we now refer to as defensive patenting and is practiced to quite an extent in this country, but to a lesser extent in other countries.

They are just different objectives I believe, sir.

Mr. Edwards. On page 21, Mr. McKie, it is your opinion that under a first-to-file system large organizations would have an advantage and the independent inventor would be at a disadvantage. This is contrary to the great preponderance of testimony that this subcommitee has received to date.

As a matter of fact, we have testimony exactly the opposite that under the present system large corporations, well financed, larger staffs, have facilities that permit them to keep better records of the prior art and so forth.

Could you comment on that? I would like to know why you feel that large organizations under the new bill would have such an advantage?

Mr. McKie. Such organizations customarily have regular patent staffs. That patent staff can keep track of developments in their research department, for instance. To take an illustration, let's assume that corporation X institutes a research program in a certain area. They are attempting to come out with a new product in this area, but they realize it is going to take a number of months, perhaps years, to develop this product.

A larger corporation will be able to set up a mechanism for periodic review by its patent department of the work as it is going along and they will be able to, through the use of computer printout, readout, and that kind of thing, prepare reports on the work that has been accomplished to that time and file them as preliminary patent applications in the patent office.

This can be a matter of routine with an organization with a substantial patent staff. The smaller organization that doesn't have a patent staff or that has never even been to a patent attorney will not have that kind of an advantage.

They customarily develop their inventions to the point of commercial practicality. Then they come to their attorneys and the attorneys under our present system can prepare and file patent applications that will protect them because we are able to go back in proof if necessary to the invention date, but what we are going to have to do is to advise our clients, the smaller companies, to undertake somewhat the same expense that the larger company can afford, this same periodic review by its patent counsel, and, as I say, most of these people don't come to their patent attorneys until it is too late for this kind of thing.

Mr. SCHUYLER. May I say one thing more there, Mr. Edwards?

Mr. EDWARDS. Yes.

Mr. SCHUYLER. I think the testimony you have heard has related primarily to the 1 percent of the cases that become involved in interferences, whereas we are talking about all of the 100,000 applicants each year.

This first-to-invent system changes the approach of every one of the 100,000 to the timing of the filing of their patent applications, so in the case of the recordkeeping the one who keeps the best records may have an advantage in the 1 percent of the cases, but in a first-to-file system the larger organization has an advantage when we consider all of the 100,000 applications filed each year.

Mr. EDWARDS. Thank you.

Mr. MCKIE. Incidentally, Mr. Edwards, if I might make one further comment about that necessity of keeping records, one of the witnesses before this subcommittee, I believe, has testified that the adoption of the first-to-file system would enable us to stop keeping records of this kind.

Dr. Nason, who is president of Monsanto Research Corp. and who was a member of the President's Commission, gave a speech on December 29 in Washington before the annual meeting of the American Association for the Advancement of Science and he said the following during the course of that speech:

> Some commentators have remarked that adoption of the first-to-file principle would eliminate the necessity of keeping notebooks. It is suggested that this would be unwise. Some present complications such as elaborate procedures for witnessing could be eliminated, but the need for clear recording of experiments and observations might be even greater than before to aid in prompt identification of inventive matter, and it may be remarked that the keeping of complete and accurate notes is as old as science itself, long antedating the development of any patent system, and is important for the conduct of the work itself.

Mr. EDWARDS. My last question, Mr. McKie, is why you think that the expense of obtaining patents and enforcing them will be so greatly increased under the proposed bill?

Mr. MCKIE. As I understand the estimates that have been made by the Patent Office, Mr. Edwards, they are that somewhere between two and three preliminary applications will be filed for each complete application. Those are applications we don't have to file today, but there will be a tremendous incentive toward filing them under this new system.

The expense of preparing them will be substantial. It has been said that this could be a so-called brown paper bag approach in which the inventor merely jotted down his ideas on the back of a paper bag and shipped it into the Patent Office, but previous witnesses have called attention to the fact that the section 120 is worded in

this bill in such fashion that the preliminary application will have to be expertly prepared or it won't be of any use and it will be costly and if we get a chance to prepare three times as many patent applications as in the past it is going to cost our client more money.

Mr. EDWARDS. In your international business in patent applications, that is, filing in the United States and at the same time in Germany, what are the comparable costs to your client?

Mr. MCKIE. You mean between the two systems?

Mr. EDWARDS. Yes. Under a first-to-file system in Europe how do the costs compare with the United States first-to-invent system?

Mr. MCKIE. It is kind of difficult to make a comparison and I think might not prove anything one way or the other on that because what we do in filing applications abroad is to send to the foreign associate our U.S. application and have him in Germany translate it and file it in the Patent Office there.

The cost of filing is measured by the cost of translation, and the cost of stamping and various and sundry other things. I don't know that it would be any different in such a case under the proposed bill than it is now, but the U.S. case would cost more because we would be filing more applications.

Mr. EDWARDS. I get back to your statement where you state that the first-to-file system is a much more expensive system. Is that true in the countries where the first-to-file system is used, for a German national, for example, or for a French national?

Mr. MCKIE. As to a German and French national there is no preliminary application procedure as I understand it there, so you can't really make a meaningful comparison, but you perhaps could in Great Britain. Great Britain does have a provisional specification system which has some resemblance to this proposed preliminary application. I don't have sufficient experience with filing provisional applications because I don't represent British nationals filing applications in Great Britain.

I think that for anyone to comment on that point he would have to have such experience. You see, we don't normally file provisional applications in Great Britain because we have had to file complete ones here, and all we do is to file the complete one here, also in Great Britain, if you follow my problem.

Mr. EDWARDS. I follow you. I am not convinced that your conclusion is supported by any evidence.

Mr. MCKIE. Well, now, the conclusion, however, is not entirely influenced by that fact. What we are talking about I think is a system which depends upon preliminary applications and depends upon the incentive to file such applications. I think the incentive under this bill would be stronger than it is in Great Britain, but in any event, it would necessarily require examination of those preliminary applications to determine what date the complete application is entitled to, and this is going to get more complicated than our present system is.

The examination is going to be of the same kind, as I understand it, but you will add to that the necessity in a very large number of cases, if not substantially all, of going back to the preliminary application to see whether it supports one or more claims of the complete application.

This is adding expense on to our present system, as I understand it. And not subtracting from it.

Mr. EDWARDS. Thank you, Mr. McKie.

Mr. MCKIE. Thank you.

Mr. EDWARDS. That is all, Mr. Chairman.

Mr. KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. Thank you. Mr. McKie, I assume that the Patent Section of the American Bar Association made a complete and forceful presentation of its views on these questions to the President's Commission.

They held hearings, did they, and so on?

Mr. MCKIE. No; that is not quite the way they operated as I understand their mechanism. They had in camera kind of meetings. They did themselves attend one meeting of ours and that is the one that I referred to earlier in which we provided them with the debates on some 15 topics, but that was the only time that the association was able to make its views felt directly.

We did have a report by your committee, I think, wasn't it, Mr. Schuyler?

Mr. SCHUYLER. Yes.

Mr. MCKIE. Which was presented to the President's Commission. I don't know what they did with that report. There was no forceful presentation of views at public hearings or anything of that nature.

Mr. HUTCHINSON. Was any member of the President's Commission also a member of the Patent Section?

Mr. MCKIE. Yes; both Mr. Howard Clement and Mr. Neuman are members of the section. They have attended some of our meetings.

Mr. HUTCHINSON. This committee has heard some witnesses urge that in the future there should be a universal patent system and they of course argue that this first-to-file concept is more or less essential to the adoption of any universal patent system.

Does your organization think that a universal patent system is not in the future or is unwise?

Mr. MCKIE. I would think the answer would have to be no to that. I think a universal patent would have a lot of advantages. We don't see a mechanism by which it can be achieved today, and the members of the President's Commission who have testified here and before the Senate have indicated that this was considerably far in the future.

They have, I think, said that it should be possible to arrange patent cooperation between various countries, and I think you have been told in previous testimony by administration witnesses that there is a proposal from the organization we know as BIRPI, the international administering group for the Paris Convention. That proposal is expected to be published at the end of this month, but that would not be a universal patent system and that itself of course is somewhat in the future.

Mr. HUTCHINSON. I don't disagree with you on that observation at all, except would you agree that the adoption by the United States of a first-to-file system would be a necessary forerunner of the formation of any such universal system?

Mr. MCKIE. Not at all, sir. I would not agree.

Mr. HUTCHINSON. Do you think we can get the rest of the world to adopt our system rather than we adopt theirs?

Mr. McKie. No; I don't think it is necessary that either adopt the other.

As a matter of fact, as I understand, and I have been informed of this—I was not present—I understand that at a briefing conference in Boston I think it was Mr. Bogsch—he was the deputy director of BIRPI—who indicated that it was not necessary for the United States to change its present first-to-invent system and grace period system in order to come into this proposal of BIRPI, not at all necessary, and I can see logically no reason why it should be.

I realize that Mr. Braderman indicated that it was indispensible, but I have been informed that the State Department representative at an earlier meeting said it was not at all, and I see no reason, as I say, why it should be necessary.

Mr. Hutchinson. But the BIRPI proposal is not a universal patent proposal, is it?

Mr. McKie. That is correct. This is a first step.

Mr. Hutchinson. But what we are talking about is assuming that we are going to have a universal patent system, if it is going to be a universal patent you have to have a uniformity, do you not?

Mr. McKie. I think this is right. If you were to have one patent issued by a central governing authority which would be enforceable throughout the world you would have to have some commonality of approach to this thing and perhaps first-to-file or first-to-invent, one or the other, would have to be adopted.

That I think, sir, is a long way in the future and we don't know which one would be successful.

Mr. Hutchinson. And for the time being at least you would rather stay with the first-to-invent system.

Mr. McKie. Yes indeed.

Mr. Schuyler. Mr. Hutchinson, may I say something in this area of difference in the patent laws of different countries. There are some countries which today will grant a patent, and let's say a U.S. patent was granted 5 years ago, Spain, for example, will grant a patent of importation, they call it, just to get that development into Spain. This is something which neither the European countries, that we are talking about, nor the United States now have. So there are numerous differences to be resolved, and I cite that only as one example.

Mr. Hutchinson. The next question that occurs to me I think maybe you touched on in responding to Mr. Edwards, but you talk about industrial espionage and do you know whether other countries have experienced a great wave of industrial espionage as a result of their system?

Mr. McKie. I think industrial intelligence or espionage, and I mean espionage in the sense of intelligence activity, attempting to find out what the other fellow is doing, is quite significant here. I don't know its significance in the foreign countries.

This is something I can't document, but I am afraid the incentive toward such things would be tremendously increased under the proposed first-to-file and loss-of-grace-period system.

Mr. Hutchinson. Because if I understand your position you anticipate that the other system would promote secrecy.

Mr. McKie. Yes, that is right.

Mr. HUTCHINSON. Can you tell me whether in most cases the entire 1-year grace period is used? I mean in most cases does an inventor actually utilize the entire 12 months or very close to it to test out his invention and so on before he files a patent application?

Mr. MCKIE. It certainly comes up very often in our practice that he has used up substantially all of his time by the time we talk to the inventor, but I don't believe it would be accurate to say that he usually has used up all of his time.

Mr. HUTCHINSON. So that the present 12-month period is an adequate time? It wouldn't be advantageous under any circumstances to have a longer period than 12 months?

Mr. MCKIE. I think it is a desirable compromise between two possibly conflicting desires, the one being to get a disclosure of the invention into the Patent Office as soon as possible and the other being to insure that the inventor has adequate time to develop his invention so that that disclosure is of help to the art.

This is a compromise between those two points I think and I don't believe that we would suggest that it be extended. Yes, it is certainly true, as Mr. Schuyler suggests, that inventors do lose their rights today by reason of the statutory bar, the 1-year period, because they get to their patent attorneys too late rather frequently.

Mr. HUTCHINSON. Is this due to some lack of information on their part as to the time that they have?

Mr. MCKIE. Yes, sir; I think that is correct. The individuals and small organizations who come into the patent area for the first time have absolutely no acquaintance with it by and large. They may come to the patent attorney and say to him, "Well, now, this is a fine invention that I have made."

The attorney immediately has to interrogate him as to whether he has used it at all and if so, when; has he disclosed it at all and if so, when. We find to our consternation many times that he used it too long ago.

You gentlemen, having heard so much testimony in the copyright area, probably are acquainted with a similar thing in respect to authors who come into their counsel and they show him the published documents that they have that they want to obtain copyright protection for. The attorney under the present system of course immediately looks to see where the notice of copyright is. If it is not there it is just too late under the present system.

This is somewhat similar to our system of the 1-year grace period. Sometimes we find it is too late.

Mr. HUTCHINSON. What about the situation under our present system where when you get a patent you are not sure, you know, even after you get it that you got very much. It might be interfered with. This other system would do away with that period of uncertainty, would it not?

Mr. MCKIE. You are speaking of the possibility of somebody copying your claims within a 1-year period, which exists under our present law, but there is a definite limitation on that time period.

Of course, that would be avoided. If a patent was finally issued under the system proposed by this bill there would be no possibility of interference, but that happens in a very small number of cases.

Moreover, this bill in another proposal adds a 3-year period of un-

certainty on to it because, as I understand the bill, it would be possible to propose cancellation of the patent within a 3-year period after the time that it issues.

Mr. HUTCHINSON. Is that a concept running parallel with the interference attack?

Mr. MCKIE. Not entirely. It is a proposal to enable someone who is being possibly adversely affected by a patent to obtain a cheap alternative to a law suit to get cancellation of the patent instead.

I only cite it because it does prolong the period of uncertainty beyond the present period that we have.

Mr. SCHUYLER. Might I enlarge on that, Mr. Hutchinson?

Mr. HUTCHINSON. Yes.

Mr. SCHUYLER. I think in the proposed bill, either during the opposition period under section 136 or the later 3-year cancellation period, the patent application or the patent could be attacked under section 102 (c) that the inventor is not the true inventor. This is the exact situation we have today in some interferences.

There are basically two issues which may arise in an interference today. One is whether the inventor is the original inventor or did he derive it from someone else, and the other is whether he is the first inventor.

The administration's bill retains the first, whether he is the original inventor, but eliminates the second one, whether he is the first inventor, so the same thing as an interference can arise under the opposition or the revocation when the application of the patent is attacked or the theory that the inventor was not the true inventor.

The only difference is that the person who attacks it, if he be the true inventor, can obtain a patent today. Under the interference procedure he can.

Mr. HUTCHINSON. I thank you. That is all, Mr. Chairman.

Mr. KASTENMEIER. Mr. Roth.

Mr. ROTH. I would like to ask you as to the meaning of the word "only" on page 3 with respect to the resolution of the American Bar Association where the statement made is that—

> Any change in the law which would have the effect of awarding the patent only to the applicant who is the first to file his application . . .

Does that mean the American Bar would not oppose if rights were given to, say, more than one person?

Mr. MCKIE. The wording, Mr. Roth, is a little peculiar because we are attempting not to create an obstacle to ourselves in respect of a proposal which is in the mechanism here, which is essentially the following, and, as I say, I can't advocate this on behalf of the American Bar Association because it hasn't been cleared, but it is to issue the patent to the first to file or to publish the application of the first-to-file and then to allow someone who claims to have been the prior inventor to show that the first-to-file was in fact not the first inventor, so that in this case, well, it would be an issuance to the first to file, but it would not be the only issuance because our system would contemplate a possible later issuance to someone else.

I am not sure that I am making myself clear in that respect.

Mr. ROTH. Yes, I think I follow what you are saying. May I ask this?

Would this mean any rights would obtain to the first to file, or would he lose all rights in the event some other inventor claimed?

Mr. McKie. He would lose his rights. He would have been proven not to be the first to invent and unless he disclosed additional material which was patentable over the first to invent he would not be able to get a patent or if he got a patent, that patent would be invalidated.

Mr. Roth. I agree with your earlier statement that the patent system has been an incentive to invention in this country, but I am not certain whether I entirely understand your statement that the first to file would decrease this incentive.

I wonder if you could substantiate. For example, if we went to a first-to-file, do you feel that there would be less incentive with the individual inventor, or do you think it would have an impact on small business or possibly the large corporations?

Mr. McKie. For reasons that are expressed somewhat later in this statement, we feel that the large corporation would have by far the greater advantages in this kind of a system and as a result of that kind of a situation the small inventor would have less and less incentive to make inventions and to apply for patents, and this is a result of a number of things, including this preliminary application technique.

Mr. Roth. Are you referring to the cost? Is that the factor?

Mr. McKie. Not only the cost. I do think that is a factor and it is going to be a substantial factor, but I think the advantage of the company who can periodically submit to the Patent Office research reports as the inventions develop will be very substantial and the small inventor will be at a very material disadvantage in that respect, and it is not just cost.

It is the mechanism of the thing, the periodic review that is possible with a substantial patent staff which is not available to the small company and the individual inventor, and, as I said also earlier, the small inventor frequently doesn't know his rights and he comes into the patent system to see his attorney only after he has created a bar against himself.

Mr. Roth. As a practical matter I wonder if the individual inventor with his lack of knowledge, but the fact that he knows that there is a patent system, would not still continue to have pretty much the same incentive under either system?

Don't you have to be pretty sophisticated to be aware of the problems you are pointing out?

Mr. McKie. I think that after a period of time it will become pretty well known that the larger company does have a material advantage over the individual and this will percolate out, disseminate itself, this piece of information, to individuals and will adversely affect them.

Mr. Roth. Perhaps your answer to my first question answers my next, but one of the complaints of the present system is that it does tend to give people a desire to hold back on their patent application because they can stretch out presumably the period in which they are protected.

If we retain the present system, first to invent, do you have any suggestions as to how we can give an incentive to the inventor to file early?

Mr. McKie. A very strong incentive I think would be obtained by this 20-year period or term of the patent measured from the filing. Excuse me. You are talking about filing?

Mr. Roth. Yes.

Mr. McKie. That would be the same in each case. The incentive is present in the present system, exists in the present system, to file as early as possible because you do have strong advantage over the person who files later, even under the present system.

I don't think applications in filing are delayed very materially in order to prolong the period of expiration of the patent. In other words, I think what happens today is that you file as soon as you can after you have developed your invention to the point where you think it would be worthwhile to file.

You don't delay, because if you do somebody else is liable to come in and there is an advantage to the senior person under our present interference system, a very strong advantage to the senior one to file, so I don't think you have a major problem in that particular area.

I think that you do have a major problem in our present system which encourages you to some extent to extend the period of pendency in the patent office because then your patent is going to expire that much later and the art has time to catch up with you and so forth.

That would be avoided by the 20-year term.

Mr. Schuyler. May I make a comment, Mr. Roth?

Mr. Roth. Yes, sir; please do.

Mr. Schuyler. The proposal which we are not in a position to advocate at this time would issue the patent to the first-to-file, yet preserve the right of an earlier inventor to come in; it would encourage early filing.

Mr. Roth. That is the reason I started my question. I assumed that might be your answer. One further question.

You note that there is only something like half of one percent of patent applications involved in interferences. May I ask you this question? What percentage of the patents each year do you consider significant developments? Could you estimate that?

Mr. McKie. It would be difficult.

Mr. Roth. What I am trying to get at is does this one-half percent involve a large number of the significant patents?

Mr. McKie. Yes, I followed where you were going but I don't know how to estimate this. Maybe I can do it this way. I believe that someone has surveyed, and this is recollection now, imperfect recollection of a paper I have seen, has surveyed and found that something like 20 percent of patents are in use, in actual use.

If that be true, then we might have something like 20 percent of the patents that are issuing each year, a percentage of that, which would be a significant percentage of that, in use at the time the patent issued and therefore, of significance from that standpoint.

How to measure significance otherwise would be extremely difficult and I don't know of any statistics of that kind. It is certainly the fact that many, many significant patents have been issued without ever going through interference, but I cannot put it on a percentage basis.

I am certain in my own mind that the number of significant patents would be many, many more than the number of cases involved in interference, but I really can't document it for you.

Mr. Roth. But I would also assume that the number of interferences is a much higher percentage of the more significant developments.

Mr. Schuyler. If we could say litigated interferences.

Mr. Roth. Litigated, yes.

Mr. McKie. That brings it down even farther actually because a relatively small percent of the actual interferences are litigated interferences in which you go into a testimony period in which testimony is taken.

As you perhaps know, most interferences are resolved in the motion period or, in any event, without taking of testimony, so they are not really litigated. It has been said by some witnesses—this is a corollary really to what I was just saying—that this is not really too important because the junior party only wins in something like 30 percent of the interferences, anyway, but if you go to the interferences in which testimony was taken, which are the real litigated interferences, you will find that the junior party wins in something like 45 percent of the cases.

It is very nearly even steven between him and the senior party, so it is really significant as to those cases.

Mr. Roth. I would also like to thank you for your informed report here. Thank you.

Mr. McKie. Thank you, sir. It was a pleasure.

Mr. Kastenmeier. I think counsel has some questions too.

Mr. Fuchs. Thank you, Mr. Chairman. Mr. McKie, you told the subcommittee that the Patent Section at its April meeting approved a number of provisions of the bill. Could you enumerate those for the benefit of the subcommittee, or can I help you by asking specific questions?

Does the section approve the 6-months citation period?

Mr. McKie. This is the opposition proceeding. Yes, that is correct. Our proposal would in fact approve of a system of that kind. I must caution, however, that this is not the American Bar Association's position.

Mr. Fuchs. I understand. And did the section approve the 20-year patent term measured from filing date?

Mr. McKie. That was done in 1939, so we do have an Association position on that and the section has reapproved it.

Mr. Fuchs. And you also approve the Commission's Recommendation number XXII regarding patent misuse?

Mr. McKie. Yes, indeed.

Mr. Fuchs. And you already told the subcommittee that the section approved the filing of applications by owners or assignees of the invention?

Mr. McKie. Yes, sir.

Mr. Fuchs. And you also approve the recommendation regarding importation of a product made abroad by a process patented in this country?

Mr. McKie. Yes, the proposal of the Commission, which is somewhat broader than the language in the bill, and I think this has been called to attention by other people, that is correct.

Mr. Fuchs. Mr. McKie, you treat the first-to-file proposals as though they would work a revolutionary change in philosophy whose adoption would threaten the effectiveness of the entire system.

It is true though, isn't it, that under the present so-called first-to-invent system the first-to-file is the person who is granted the patent in an overwhelming proportion of all cases?

Mr. McKie. Yes; because he is the only one to file in so many of those cases, but it does not affect only the person who is a junior one to file, but it affects even the person who gets the patent today because that person will be encouraged to file early before his invention is fully developed.

Mr. Fuchs. And it is also true, isn't it, that the principle of rewarding the first-to-invent is not really abandoned by the bill, but that what is proposed is actually an objective test for determining priority of invention by resort to a presumption in favor of the first filer, in the interest of administrative convenience. This is true, isn't it?

Mr. McKie. I dont' really think so.

Mr. Fuchs. Would you say why it isn't?

Mr. McKie. I don't believe that the first-to-invent principle is retained by the bill at all, but rather a first-to-file principle, no matter who is the first to invent.

Mr. Fuchs. The presumption is that the person who filed first is the inventor. That it seems to me is what the bill would do.

Mr. McKie. This is a conclusive presumption, if you want to put it in that term; yes.

Mr. Fuchs. Aren't there many fields in law in which a man's right depends upon priority of notice or priority of recordation of some fact of claim, or mortgage, or lien?

Mr. McKie. Indeed.

Mr. Fuchs. It is quite common. But the ABA believes that it is not possible that the substitution of a readily determinable event; namely, the date on which the inventor discloses his invention to the Patent Office, for such a nebulous and sometimes subjective test as conception or reduction to practice would be advantageous?

Mr. McKie. No; because there are so many correlary disadvantages that go with that that affect the entire 99 percent in addition to the 1 percent that get into the interference.

Mr. Fuchs. The adoption of the system would eliminate interference proceedings in the relatively few cases in which they do occur and would also eliminate the uncertainty that affects every invention with respect to whether an interference is likely to be provoked; isn't that so?

Mr. McKie. Yes; certainly if you eliminate interference you eliminate the interference proceedings that would be created.

Mr. Fuchs. Mr. Fulwider, who is the chairman of the section, I believe, told the Senate last week that under the bill there would be a lot of litigation as to whether the preliminary application is adequate.

Mr. McKie. Yes; I think that is right.

Mr. Fuchs. Of course, this could only occur where disputes as to priority arise. Is that not so?

Mr. McKie. Priorities between the reference and the filing date of the patent, the complete application; that is correct.

Mr. Fuchs. It could only occur in cases of disputes over effective filing dates.

Mr. McKie. Yes; which involves validity.

Mr. Fuchs. That is right. Is there any reason to believe that priority disputes will be more affected under the bill than interferences are today?

Mr. McKie. Oh, very much so, Mr. Fuchs. I don't see how you could conclude otherwise. There are many, many cases today that never get into interference in which there is a question of priority between the reference date and the development by the inventor.

These arise every day. They have new patents issued because technology is going forward and it is going forward for everybody, not just for one person at a time. There is a theory that inventions tend to arise when their need arises and when technology gets to the point where they can arise.

This tendency exerts itself on a number of people around the country at somewhat the same time and frequently for that reason they come up with the invention. Many of these people don't file patent applications. Many of these people are foreigners and they issue patents, they issue publications, which never come into the United States as patent applications so we don't get into priority conflicts of the interference type but we very definitely get into problems all the time as to whether we can get back of the date of reference.

This is rule 131 practice that is quite common, and you would do the same thing in the courts.

Mr. Fuchs. Thank you, Mr. McKie. Thank you, Mr. Chairman.

Mr. Kastenmeier. One point Mr. Hutchinson brought up relating to the section, your own section, that two members of the Commission were members of your section. How large is your section?

Mr. McKie. The section contains about 3,200 members, 3,200 members. The two people who were referred to who are members of the section; namely, Mr. Neuman and Mr. Clement, have not been to my knowledge active members of the section. They are members of the section, and there are many of this kind, of course, that never come to a meeting.

Mr. Kastenmeier. How many active members do you have in the section?

Mr. McKie. It is difficult to measure activity. Let me put it in these terms. If you are interested in the affairs of the section you will probably want to get on a committee. I think Mr. Schuyler's experience has been, and mine is at the present time, that somewhere around 1,500 to 2,000 members of the section are interested in participating in committee work. That is a substantial amount I think and that indicates activity.

At our annual meeting in particular we will have 300 to 400 people. At this meeting that we had here in Washington we had 400 people.

Mr. Kastenmeier. I take it the positions, while agreed to as a matter of consensus, are not unanimously agreed to, are they?

Mr. McKie. That is certainly true. The positions that we espouse here today were very, very strongly adopted; that is, there was a minority against, of course, and there are patent attorneys—I don't want to create the impression otherwise—who believe that the first-to-file system is the best. I think most of them do so because we do have substantial problems without present interference practice and they think the only way to get rid of those problems is to eliminate the system, but they are in the minority.

I think most of us feel that the problems that we do have can be resolved or at least ameliorated.

Mr. KASTENMEIER. Thank you, Mr. McKie. Mr. Fuchs, do you have another question?

Mr. FUCHS. May I, Mr. Chairman? Mr. McKie, it has been suggested to the subcommittee that the patent section would favor overruling the decisions of the Supreme Court in *Brenner* v. *Manson* and that of the Court of Customs and Patent Appeals in *in re Jolly* concerning the disclosure of utility, with the result that chemical compounds would be considered useful per se, and I wonder if you would discuss that.

Mr. MCKIE. If I might defer to Mr. Schuyler I would prefer to because his activity is the one in which this point came up during the section meeting and I am sure you are referring to the debate during the meeting in Washington in April.

Mr. SCHUYLER. An effort has been made and will come up in which the section would put into the law a different rule of utility as applied to chemical compounds in particular and relax somewhat the strictness of the present decisions you mentioned because inventions sometimes have utility only as research tools to lead to others because an invention to satisfy the present rule as I understand it—this is what I obtained from chemists; I am not a chemist—as I understand it, you first invent the compound, then, to satisfy the requirement of the Manson decision, you must make another invention which is a process using that compound. So in order to obtain a patent in that area the inventor must make successively two inventions rather than just one and to satisfy that one hardship it will be I think our recommendation to relax the rule of utility in the chemical compound area.

Mr. FUCHS. Under that would a compound be patentable even though it had no known beneficial use?

Mr. SCHUYLER. Yes; I think that our proposal would be that a new chemical compound need not disclose utility at the time the application is filed. The feeling is that this absence, if it turns out to have no utility, the patent will be valueless, too.

Mr. FUCHS. Thank you.

Mr. KASTENMEIER. Mr. McKie and Mr. Schuyler, the subcommittee appreciates your appearance here today.

Mr. MCKIE. It is our pleasure, Mr. Chairman.

Mr. SCHUYLER. It is a pleasure to be here, sir.

Mr. KASTENMEIER. This concludes the hearing this morning and the Chair would like to announce that on next Thursday, June 1, at 10 o'clock in this room, we will resume. The Honorable Claude Pepper of Florida, and the Honorable Robert Giaimo of Connecticut, and Mr. Anthony DeLio of New Haven, Conn., will be witnesses. Until that time the subcommittee stands adjourned.

(Whereupon, at 11:55 a.m., the subcommittee recessed to reconvene at 10 a.m., Thursday, June 1, 1967.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, JUNE 1, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier, acting chairman, presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel.

Mr. KASTENMEIER. The subcommittee will come to order for further hearings on H.R. 5924, the Patent Reform Act of 1967.

The committee is very pleased to have as its first witness this morning our colleague, the Honorable Claude D. Pepper of Florida, who has, himself, introduced a bill, H.R. 6043, on the subject of patent law revision.

STATEMENT OF HON. CLAUDE D. PEPPER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA; ACCOMPANIED BY WILLIAM ARTHUR ROBERTS, LEGISLATIVE ASSISTANT

Mr. PEPPER. Thank you very much, Mr. Chairman and members of the committee.

Appearing here before your distinguished committee on this subject of patents brings back to my mind a number of interesting years that I spent as chairman of the Patents Committee of the other body. I didn't profess to know a lot about it, but I heard a lot about it from many able people. I think a bill was passed through the Congress making some improvements in the patent laws during that period.

To some people, the connection between the State of Florida and the U.S. patent system might seem somewhat remote. Florida is seen by some as the land of sunshine, vacations, and retirement. It is all of that. It is true that more than one-third of the State's economy is based on tourism. But it is equally true that about one-third of our economy comes from manufacturing. In fact, Miami is considered part of the Gold Coast and has more industry than any other part of the State. In fact, during the past 10 years, manufacturing in Florida has grown more than 400 percent—far above the national growth rate.

The growth in manufacturing industries is reflected in the continuing increase in the number of patents issued to individuals and companies in Florida. From 1963 through 1966 the number of patents rose in this fashion: 573, 643, 769, and 851 for last year.

Obviously, Florida industry is heavily involved in research and development. Research and development generates inventions. And inventions, if they are to be brought to fruition, require a healthy climate for technological innovation and good patent system. It is the incentives of the patent system which encourage individuals and companies to invest the time, the money, and the effort to bring about useful change in our lives.

It was for these reasons that I introduced H.R. 6043, a companion bill to the bill introduced by the distinguished chairman of the subcommittee, his bill being H.R. 5924, entitled the Patent Reform Act of 1967, a bill designed to modernize the patent system to enable it to meet the need and challenges of today and tomorrow. As you know, the patent laws on the books today have not undergone fundamental change in more than a century. They have served us well in the past, but we must make sure they will continue to serve us well in the future.

The Patent Reform Act of 1967 is based upon the recommendations of a Special Commission on the Patent System appointed by President Johnson in 1965. The Commission was given a mandate to (1) determine how well the present system meets our needs and national goals, (2) devise any possible improvement, and (3) recommend changes to strengthen the patent system. The Commission was widely representative of both public and private interests.

There are a great many changes proposed in the draft legislation before this subcommittee. Without attempting to analyze all of these changes one by one, let me briefly summarize the objectives of my bill.

First, we want to raise the quality and reliability of U.S. patents. Second, we want to reduce the time and expense of obtaining and litigating patents. This is most important to the small businessman and the independent inventor. Third, we want to speed up the public disclosure of new technology contained in patents. Finally, we wish to harmonize our own system with the practices of other nations, with the long-range goal of an international patent system. Under such a system, a single application could lead to patent protection in many countries. This would greatly benefit American business in the global markets of today.

I therefore, Mr. Chairman and gentlemen of the committee, strongly urge enactment of the Patent Reform Act of 1967, on behalf of inventors, businessmen, and the entire Nation.

Thank you very much, Mr. Chairman.

Mr. KASTENMEIER. I thank the gentleman from Florida for his concise and lucid statement in behalf of his bill. It is appropriate that the committee should be reminded of your own distinguished work in the other body in the same field.

Mr. PEPPER. It is a very interesting field.

Mr. KASTENMEIER. It is well known, too, that you have an interest in international affairs, and I note that you have pointed out that the President's Commission indicated that one of the goals of revision would be to harmonize our own system with the practices of other nations. Would it be your hope that we might have a universal patent system in some future generation?

Mr. PEPPER. Mr. Chairman, I would answer unequivocally yes. If you look back over the span of human history, you see many frustrations and many defeats, but when you see it in perspective, you see

how far the human race has come toward integrating into systems of wide range and scope.

You take this country of our own here. At one time, of course, it was inhabited by a native citizenry scattered sparsely over this great continent. Then came this settlement in one part of the country and another under diverse laws and flags and allegiances, and finally we have lived into the fortunate day when all of this great continent is today under one government, one constitution, the protection of one law, and we have basically generally the same fundamental concepts of life.

That has all come about as a part of the evolution of history.

You take a place like the Soviet Union with all of its inadequacies that we hope some day will be overcome, and you will find I imagine at one time all the various peoples and all the tribes and all the developing nations and all the dictators, and so on, that at one time occupied that vast area from Europe to the Pacific Ocean. Well, it has many bad aspects about it, but at the same time it has, as a part of the evolution of human beings into systems, come to be one government, one country, basically one nation; and you see that evolutionary process going on in various geographical areas of the world when you look across the face of the earth and find in the western hemisphere the growing unity among nations of diverse background and a semblance of some sort of common objectives and common authority like OAS and you find other organizations.

With all of its grievous imperfections, the United Nations is a place where 100 or more nations' representatives gather together at least, and we do have a world court, not yet very effective, but the U.S. Supreme Court wasn't very effective in the first few decades after its establishment.

We do have one, and I think it is inevitable in the pressure of need and demand that eventually, unless it is foolish enough to blow itself apart and destroy itself, it is inevitable that the world will gravitate closer together and the systems will mesh a little more closely, and we will have a little more compatibility and share common objectives for the good of all.

So that is not at all hopeless to contemplate that within a reasonable length of time we will begin by treaty now and later on by law to have an international patent system where a citizen of any country will simply file his application for a patent before some sort of international tribunal, and once it is granted, he will be protected in most, at least, of the countries of the world.

I think that is bound to come in the evolution of law and in the evolution of government.

Mr. KASTENMEIER. I appreciate the gentleman's important observations.

The gentleman from California.

Mr. EDWARDS. I have no questions, but I would like to thank our colleague from Florida very much for a most enlightening statement.

Mr. PEPPER. Thank you, very much.

Mr. KASTENMEIER. The gentleman from Virginia.

Mr. POFF. First by way of apology I was delayed and it was unavoidable, and I am particularly sorry because it is always an enjoyable experience to hear the gentleman. He is quite articulate and

obviously earnest and sincere in all he says and does. I wish I might have enjoyed that experience this morning.

Mr. PEPPER. Well, the gentleman knows that when I am speaking about things that have a legal significance, I naturally looked at him because he is regarded as one of our constitutional legal scholars in the body, and I am sure that he is one of those who envisions a law of the world some day or another. There will be a courthouse and sheriff and law some day or another to govern the disputes and wrongdoings of nations as of men. I wish it were here now. All of us pray that it were.

Mr. POFF. I thank the gentleman for giving us his views.

Mr. KASTENMEIER. The gentleman from Michigan.

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I have no questions of the gentleman from Florida. I am pleased to know of his interest in the subject. He is aware of the fact that this committee has been spending now several months on this matter and that it is a complex one and in some areas, some aspects, controversial, and that it is likely that we will be considering this measure for quite some time to come.

Mr. PEPPER. This is a distinguished subcommittee, and I know it will render distinguished service. This subcommittee did a splendid job some time ago in the copyright field, and I am glad to see you moving into this related parallel field of patents, and I know you will do a good job here.

Thank you very much.

Mr. KASTENMEIER. The Chair would now like to call our distinguished colleague from Connecticut, the Honorable Robert N. Giaimo, who, I understand, is accompanied by a distinguished member of the bar from his district who has important testimony for us.

STATEMENT OF HON. ROBERT N. GIAIMO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. GIAIMO. Mr. Chairman and members of the committee, may I introduce Mr. Anthony DeLio, of New Haven, Conn.

I thank the Chairman for his kind statements. I have been a member of the Connecticut bar for many years. Let me say at the outset that I have never been a member of the patent bar and certainly do not consider myself an expert in this field. However, as a Member of Congress, as an attorney, and as one who comes from Connecticut, which has a considerable historic and present-day interest concerning patentability and all of the factors which go into manufacturing, the development of patents and the securing of rights, I have developed an interest in this legislation. At the request of Mr. DeLio and the Connecticut Patent, Bar, I introduced a bill somewhat different from the bill which the distinguished chairman, Mr. Kastenmeier, has submitted. I hope that this able subcommittee, in its efforts to come forth with real progress in this field concerning the patent system of the United States, can work out and arrive at some solution which will benefit our Nation and make necessary reforms.

It seems to me that the real problem which stares us in the face and which has stared my Committee on Appropriations in the face is the appropriations for the Patent Office which are increasing. There is a tremendous backlog and therefore, they do need much more money.

The thing that concerns me, and many of the people of the Connecticut Patent Bar, in the administration bill or the chairman's bill is that we would basically change our system from one which deals with an examination type system and in some respects adopt the third party system which exists in some countries of Europe.

This is an innovation, of course. It would make our system compatible with the British or German or Dutch systems, but it would raise serious questions. It does raise serious questions in my mind and in the minds of many people in Connecticut.

First of all, our patent system as it exists has worked well for the United States. There is no question about it. When we look at the tremendous industrial capacity and the tremendous growth of the American economy, it has involved hundreds of thousands of patents over the years. It has involved also an ease with which these patents and protection of these rights could be obtained. It has meant that there was protection built in for many small inventors, for those who did not have the expensive capacities or the protective capacities to expend large sums of money in protecting their own rights.

I think this should be very seriously considered. Before we change over to a system which does approximate some of these European systems, I think we should watch very carefully to make certain that we are not getting rid of something which has served us well throughout the years.

The technology gap has certainly been in favor of the United States for many years. We read about the brain drain of people in other countries coming to our own Nation. All of this has been in our favor. Now when we get into a complicated type of system which involves third-party actions, which is going to involve tremendous amounts of litigation and which is going to be, in my opinion, a field day for patent attorneys, I wonder what is going to happen to the traditional types of business which my own State has exemplified for so many years—the small producing types of industries that have been able to protect themselves with the present existing American patent system.

These are some of the concerns which came to my mind and which I bring to your attention today. These are the concerns with which I would hope the committee would concern itself in its efforts to work out a progressive type bill which will resolve some of the existing problems that confront our Patent Office.

I have Attorney Anthony V. DeLio with me and he can certainly go into this problem at much greater length. He is secretary and vice president of the Conneticut Patent Law Association and legislative chairman of the patent, trademark, and copyright section of the Connecticut Bar Association. He is a member of the Connecticut, District of Columbia, and Supreme Court bars. Mr. DeLio's qualifications include both academic and professional expertise in the patent field. During the past 14 years, he has worked with the patent law in various capacities, including advisory work with the Navy Department, Office of the Chief of Patents.

Mr. DeLio has worked closely with me in developing H.R. 7454, which is before this committee today, and it is a great pleasure, gentlemen, to introduce Mr. DeLio to you.

Mr. KASTENMEIER. Thank you, Congressman Giaimo.

May I say we do have your bill H.R. 7454 before us and will give it very careful attention during our deliberations.

90TH CONGRESS
1ST SESSION

H. R. 7454

IN THE HOUSE OF REPRESENTATIVES

MARCH 20, 1967

Mr. GIAIMO introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

For the general revision of the Patent Laws, title 35 of the United States Code, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 35 of the United States Code, entitled "Patents", is hereby amended in its entirety to read as follows:

"TITLE 35—PATENTS

"PART	Sec.
"I. PATENT OFFICE	1
"II. PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS	100
"III. PATENTS AND PROTECTION OF PATENT RIGHTS	251

"PART I—PATENT OFFICE

"CHAPTER	Sec.
"1. ESTABLISHMENT, OFFICERS, FUNCTIONS	1
"2. PROCEEDINGS IN THE PATENT OFFICE	21
"3. PRACTICE BEFORE THE PATENT OFFICE	31
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"Chapter 1.—ESTABLISHMENT, OFFICERS, FUNCTIONS

"Sec.
"1. Establishment.
"2. Seal.
"3. Officers and employees.
"4. Restrictions on officers and employees as to interest in patents.
"5. Bond of Commissioner and other officers.
"6. Duties of Commissioner.
"7. Board of Appeals.
"8. Library.
"9. Classification of patents.
"10. Certified copies of records.
"11. Publications.
"12. Research and studies.

"§ 1. Establishment

"The Patent Office shall be an Office in the Department of Commerce, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.

"§ 2. Seal

"The Patent Office shall have a seal with which letters patent, certificates of trademark registrations, and papers issued from the Office shall be authenticated.

"§ 3. Officers and employees

"(a) There shall be in the Patent Office a Commissioner of Patents, one first assistant commissioner, two other assistant commissioners, and not more than twenty-four examiners-in-chief. The assistant commissioners shall perform the duties pertaining to the office of Commissioner assigned to them by the Commissioner. The first assistant commissioner, or, in the event of a vacancy in that office, the assistant commissioner senior in date of appointment, shall fill the office of Commissioner during a vacancy in that office until a Commissioner is appointed and takes office. The Commissioner of Patents shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce, upon the nomination of the Commissioner in accordance with law, shall appoint all other officers and employees.

"(b) The Secretary of Commerce may vest in himself the functions of the Patent Office and its officers and employees specified in this title and may from time to time authorize their performance by any other officer or employee.

"(c) The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each examiner-in-chief in the Patent Office at not in excess of the maximum scheduled rate provided for

positions in grade 17 of the General Schedule of positions referred to in section 5104 of title 5, United States Code, and of the assistant commissioners at not in excess of the rate provided for positions in grade 18.

"§ 4. Restrictions on officers and employees as to interest in patents

"Officers and employees of the Patent Office shall be incapable, during the period of their appointments and for one year thereafter, of applying for a patent and of acquiring, directly or indirectly, except by inheritance or bequest, any patent or any right or interest in any patent, issued or to be issued by the Office. In patents applied for thereafter they shall not be entitled to any priority date earlier than one year after the termination of their appointment.

"§ 5. Bond of Commissioner and other officers

"The Commissioner and such other officers as he designates, before entering upon their duties, shall severally give bond, with sureties, the former in the sum of $10,000, and the latter in sums prescribed by the Commissioner, conditioned for the faithful discharge of their respective duties and that they shall render to the proper officers of the Treasury a true account of all money received by virtue of their offices.

"§ 6. Duties of Commissioner

"The Commissioner, under the direction of the Secretary of Commerce, shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks; and he shall have charge of property belonging to the Patent Office. He may establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office. Such regulations and all other regulations issued pursuant to this title shall be subject to the approval of the Secretary of Commerce.

"§ 7. Board of Appeals

"(a) The Commissioner, the assistant commissioners, and the examiners-in-chief shall constitute a Board of Appeals in the Patent Office. The examiners-in-chief shall be persons of competent legal knowledge and scientific ability, who shall be appointed under the classified Civil Service.

"(b) The Board of Appeals, on written appeal of the applicant, shall review adverse decisions of examiners upon applications for patents.

"(c) Each appeal shall be heard or considered by at least three members of the Board of Appeals. The Board of Appeals has sole power to grant rehearings.

"(d) Whenever the Commissioner considers it necessary to maintain the work of the Board of Appeals current, he may designate any patent examiner of the primary examiner grade or higher having the requisite ability, to serve as examiner-in-chief for periods not exceeding six months each. An examiner so designated shall be qualified to act as a member of the Board of Appeals. Not more than one acting examiner-in-chief shall be a member of the Board of Appeals hearing an appeal. The Secretary of Commerce is authorized to fix the per annum rate of basic compensation of each designated examiner-in-chief in the Patent Office at not in excess of the maximum scheduled rate provided for positions in grade 16 of the General Schedule of positions referred to in section 5104 of title 5, United States Code. The per annum rate of basic compensation of each designated examiner-in-chief shall be adjusted, at the close of the period for which he was designated to act as examiner-in-chief, to the per annum rate of basic compensation which he would have been receiving at the close of such period if such designation had not been made.

"§ 8. Library

"The Commissioner shall maintain a library of scientific and other works and periodicals, both foreign and domestic, in the Patent Office to aid the officers in the discharge of their duties.

"§ 9. Classification of patents

"The Commissioner may revise and maintain the classification by subject matter of published specifications of United States patents and applications and of such other patents and applications and other scientific and technical information as may be necessary or practicable, for the purpose of determining with readiness and accuracy the novelty of inventions for which applications for patent are filed.

"§ 10. Certified copies of records.

"The Commissioner may, upon payment of the prescribed fee, furnish certified copies of records of the Patent Office to persons entitled thereto.

"§ 11. Publications

"(a) The Commissioner may print, or cause to be printed, the following:

"(1) Patent abstracts and patents, including specifications and drawings, together with copies of the same.

"(2) Certificates of trademark registrations, including statements and drawings, together with copies of the same.

"(3) The Official Gazette of the United States Patent Office.

"(4) Annual indices of patents and patentees, published applications and applicants, and of trademarks and registrants.

"(5) Annual volumes of decisions in patent and trademark cases.

"(6) Classification manuals and indices of the classifications of patents.

"(7) Pamphlet copies of the patent laws and rules of practice, laws and rules relating to trademarks and circulars or other publications relating to the business of the Office.

"(b) The Patent Office may print the headings of the drawings for patents for the purpose of photolithography.

"§ 12. Research and studies

"The Commissioner shall conduct a program of research and development to improve and expedite the handling, classification, storage and retrieval of patents and other scientific and technical information.

"Chapter 2.—PROCEEDINGS IN THE PATENT OFFICE

"Sec.
"21. Day for taking action falling on Saturday, Sunday, or holiday.
"22. Printing of papers filed.
"23. Testimony in Patent Office cases.
"24. Subpenas, witnesses.
"25. Oath and declaration in lieu of oath.
"26. Effect of defective execution.

"§ 21. Day for taking action falling on Saturday, Sunday, or holiday

"When the day, or the last day, for taking any action or paying any fee in the United States Patent Office falls on Saturday, Sunday, or a holiday within the District of Columbia, the action may be taken, or the fee paid, on the next succeeding secular or business day.

"§ 22. Printing of papers filed

"The Commissioner may require papers filed in the Patent Office to be printed or typewritten.

"§ 23. Testimony in Patent Office cases

"The Commissioner may establish rules for taking affidavits and depositions required in cases in the Patent Office. Any officer authorized by law to take depositions to be used in the courts of the United States, or of the State where he resides, may take such affidavits and depositions.

"§ 24. Subpenas, witnesses

"The clerk of any United States court for the district wherein testimony is to be taken for use in any contested case in the Patent Office, shall, upon the application of any party thereto, issue a subpena for any witness residing or being within such district, commanding him to appear and testify before an officer in such district authorized to take depositions and affidavits, at the time and place stated in the subpena. The provisions of the Federal Rules of Civil Procedure relating to the attendance of witnesses and to the production of documents and things shall apply to contested cases in the Patent Office.

"Every witness subpenaed and in attendance shall be allowed the fees and traveling expenses allowed to witnesses attending the United States district courts.

"A judge of a court whose clerk issued a subpena may enforce obedience to the process or punish disobedience as in other like cases, on proof that a witness, served with such subpena, neglected or refused to appear or to testify. No witness shall be deemed guilty of contempt for disobeying such subpena unless his fees and traveling expenses in going to, and returning from, and one day's attendance at the place of examination, are paid or tendered him at the time of the service of the subpena; nor for refusing to disclose any secret matter except upon appropriate order of the court which issued the subpena.

"§ 25. Oath and declaration in lieu of oath

"(a) An oath to be filed in the Patent Office may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies with the laws of the state or country where made.

"(b) The Commissioner may by rule prescribe that any document to be filed in the Patent Office and which is required by any law, rule, or other regulation to be under oath may be subscribed to by a written declaration in such form as the Commissioner may prescribe, such declaration to be in lieu of the oath otherwise required.

"(c) Whenever such written declaration is used, the document must warn the declarant that willful false statements and the like are subject to punishment including fine or imprisonment, or both.

"§ 26. Effect of defective execution

"Any document to be filed in the Patent Office and which is required by any law, rule, or other regulation to be executed in a specified manner may be provisionally accepted by the Commissioner despite a defective execution, provided a properly executed document is submitted within such time as may be prescribed.

"Chapter 3.—PRACTICE BEFORE PATENT OFFICE

"Sec.
"31. Regulations for agents and attorneys.
"32. Suspension or exclusion from practice.
"33. Unauthorized representation as practitioner.

"§ 31. Regulations for agents and attorneys

"The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

"§ 32. Suspension or exclusion from practice

"The Commissioner may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 31 of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded.

"§ 33. Unauthorized representation as practitioner

"Whoever, not being recognized to practice before the Patent Office, holds himself out or permits himself to be held out as so recognized, or

as being qualified to prepare or prosecute applications for patent, shall be fined not more than $1,000 for each offense.

"Chapter 4.—PATENT FEES

"Sec.
"41. Patent fees.
"42. Payment of patent fees; return of excess amounts.

"§ 41. Patent fees

"(a) The Commissioner shall charge the following fees:

"(1) On filing each application for an original patent, except in design cases, $65; in addition, on filing on or presentation at any other time, $10 for each claim in independent form which is in excess of one, and $2 for each claim (whether independent or dependent) which is in excess of ten. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

"(2) For issuing each original or reissue patent, except in design cases, $100; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing.

"(3) In design cases:

"(a) On filing each design application, $20.

"(b) On issuing each design patent: For three years and six months, $10; for seven years, $20; and for fourteen years, $30.

"(4) On filing each application for the reissue of a patent, $65; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $2 for each claim (whether independent or dependent) which is in excess of ten and also in excess of the number of claims of the original patent. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

"(5) On filing each disclaimer, $15.

"(6) On appeal for the first time from the examiner to the Board of Appeals, $50; in addition, on filing a brief in support of the appeal, $50.

"(7) On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $15.

"(8) For certificate under section 255 or under section 256 of this title, $15.

"(9) As available and if in print: For uncertified printed copies

of specifications and drawings of patents (except design patents), 50 cents per copy; for design patents, 20 cents per copy; the Commissioner may establish a charge not to exceed $1 per copy for patents in excess of twenty-five pages of drawings and specifications and for plant patents printed in color; special rates for libraries specified in section 13 of this title, $50 for patents issued in one year. The Commissioner may, without charge, provide applicants with copies of specifications and drawings of patents when referred to in a notice under section 132.

"(10) For recording every assignment, agreement, or other paper relating to the property in a patent or application, $20; where the document relates to more than one patent or application, $3 for each additional item.

"(11) For each certificate, $1.

"(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified above.

"(c) The fees established under the authority of this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof.

"(d) The Commissioner may prescribe by regulations when copies of Patent Office records and publications may be provided without charge or in exchange for records or publications of foreign countries.

"§ 42. Payment of fees; return of excess amounts

"All fees shall be paid to the Commissioner, who shall deposit the same in the Treasury of the United States in such manner as the Secretary of the Treasury directs, and the Commissioner may refund any sum paid by mistake or in excess of the fee required.

"PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

"Chapter	Sec.
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"Chapter 10.—PATENTABILITY OF INVENTIONS

"Sec.
"100. Definitions.
"101. Right to patent: inventions patentable.
"102. Conditions for patentability; novelty and loss of right to patent.
"103. Conditions for patentability; nonobvious subject matter.
"104. Invention made abroad.
"105. Computer programs not patentable.

"§ 100. Definitions

"When used in this title unless the context otherwise indicates—

"(a) The term 'invention' means invention or discovery.

"(b) The term 'process' means process, art or method and includes a new use of a known process, machine, manufacture, composition of matter, or material.

"(c) The term 'United States' means the United States of America, its territories and possessions.

"(d) The term 'applicant' means any person who has filed an application for patent as provided in this title.

"(e) The term 'patentee' includes not only the person to whom the patent was issued but also the successor in title to such person.

"§ 101. Right to patent: inventions patentable

"Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, or his successor in title, may obtain a patent therefor, subject to the conditions and requirements of this title.

"§ 102. Conditions for patentability; novelty and loss of right to patent

"A person shall be entitled to a patent unless—

"(a) the invention was known or used by others in this country, or patented or described in a publication in this or a foreign country, before the invention thereof by the applicant for a patent, or

"(b) the invention was patented or described in a publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

"(c) he has abandoned the invention, or

"(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this

country on an application filed more than twelve months before the filing of the application in the United States, or

"(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

"(f) he did not himself invent the subject matter sought to be patented, or

"(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

"§ 103. Conditions for patentability; nonobvious subject matter

"A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

"§ 104. Invention made abroad

"In proceedings in the Patent Office and in the courts, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country, except as provided in section 119 of this title. Where an invention was made by a person, civil or military, while domiciled in the United States and serving in a foreign country in connection with operations by or on behalf of the United States, he shall be entitled to the same rights of priority with respect to such invention as if the same had been made in the United States.

"§ 105. Computer programs not patentable

"A plan of action or set of operating instructions, in whatever form presented, to cause a controllable data processor or computer to perform selected operations shall not be patentable.

"Chapter 11.—APPLICATION FOR PATENT

"Sec.
"111. Application for patent.
"112. Specification.
"113. Drawings.
"114. Models, specimens.
"115. Oath of applicant.
"116. Joint Inventors.
"117. Death or incapacity of inventor.
"118. Action when no oath or assignment can be obtained.
"119. Benefit of earlier filing date in foreign country; right of priority.
"120. Benefit of earlier filing date in the United States.
"121. Divisional applications.
"122. Confidential status of applications.

"§ 111. Application for patent

"(a) An application for patent may be filed by either the inventor or the owner of the invention sought to be patented. The application shall be made in writing to the Commissioner, shall be signed by the applicant and include the name of each person believed to have made an inventive contribution, and shall be accompanied by the prescribed fee. An application filed by a person not the inventor shall include, at the time of filing, a statement of the facts supporting the allegation of ownership of the invention.

"(b) A complete application for patent shall include—

"(1) a specification as prescribed by section 112 of this title;

"(2) a drawing as prescribed by section 113 of this title; and

"(3) if filed by the inventor, an oath prescribed by section 115(a) of this title.

"§ 112. Specification

"(a) The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

"(b) The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor regards as his invention. A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.

"(c) An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall

be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

"§ 113. Drawings

"When the nature of the case admits, the applicant shall furnish a drawing.

"§ 114. Models, specimens

"The Commissioner may require the applicant to furnish a model of convenient size to exhibit advantageously the several parts of his invention.

"§ 115. Oath of applicant

"(a) The applicant for a patent, if he is the inventor, shall make oath that he believes himself to be the original inventor of the subject matter sought to be patented and shall state of what country he is a citizen.

"(b) The applicant for a patent, if he is not the inventor, shall prior to the grant of a patent—

"(1) file an oath by the inventor containing the averment prescribed in subsection (a) of this section and

"(2) record in the Patent Office an assignment, if ownership resulted from an assignment, or proof of ownership, in other cases.

"(c) The applicant who has filed an application for patent pursuant to section 117 of this title may make the oath required by subsection (b) of this section, so varied in form that it can be made by him.

"§ 116. Joint inventors

"(a) When two or more persons have made inventive contributions to subject matter claimed in an application, they shall apply for a patent jointly and each sign the application and make the required oath, or, if the application is filed by some other person having the right to do so, they shall be named as the inventors.

"(b) In an application for patent for a joint invention, it shall not be necessary for each person named as joint inventor to be a joint inventor of the invention asserted in each claim.

"(c) If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Commissioner, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may publish the application and grant a patent to the inventor making the applica-

tion, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

"§ 117. Death or incapacity of inventor

"Legal representatives of deceased inventors and of those under legal incapacity may make application for patent upon compliance with the requirements and on the same terms and conditions applicable to the inventor.

"§ 118. Action when no oath or assignment can be obtained

"Whenever an application is filed by someone not the inventor and the inventor refuses to execute the oath required by section 115(b)(1) of this title or an assignment, or cannot be found or reached after diligent effort, the Commissioner may, on proof of the pertinent facts and a showing by the applicant that such action is necessary to preserve the rights of the parties, and on compliance with such regulations as he prescribes, grant a patent in the name of the inventor.

"§ 119. Benefit of earlier filing date in foreign country; right of priority

"(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed; but no patent shall be granted on any application for patent for an invention which had been patented or described in a publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing.

"(b) No application for patent shall be entitled to this right of priority unless the claim thereof and a certified copy of the original foreign application, specification and drawings upon which it is based are filed in the Patent Office within six months of the application filing date. Such certification shall be made by the Patent Office of the foreign country in which filed and show the date of the application and the filing of the specification and other papers. The Commis-

sioner may require a translation of the papers filed if not in the English language and such other information as he deems necessary.

"(c) In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequently regularly filed application in the same foreign country instead of the first filed foreign application, provided that any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without having been laid open to public inspection and without leaving any rights outstanding, and has not served, nor thereafter shall serve, as a basis for claiming a right of priority.

"§ 120. Benefit of earlier filing date in the United States

"An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application.

"§ 121. Divisional applications

"(a) If two or more independent and distinct inventions are claimed in one complete application, the Commissioner may require the application to be restricted to one of them. The Commissioner may by rule dispense with signing and execution in the case of an application directed solely to subject matter described and claimed in the original application.

"(b) The validity of a patent may not be questioned for failure of the Commissioner to require the application to be restricted under subsection (a) of this section, nor may the validity of either of two or more patents resulting from and in accordance with a requirement under said subsection (a) be questioned solely because of the existence of several patents, if the subsequent application is filed in accordance with the provisions of section 120 of this chapter.

"§ 122. Confidential status of applications

"Applications for patents shall be kept in confidence by the Patent Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions

of any Act of Congress or in such special circumstances as may be determined by the Commissioner.

"Chapter 12.—EXAMINATION OF APPLICATION

"Sec.
"131. Examination of application.
"132. Notice of rejection; reexamination.
"133. Time for prosecuting application.
"134. Appeal to the Board of Appeals.
"135. Interferences.

"§ 131. Examination of application

"The Commissioner shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.

"§ 132. Notice of rejection; reexamination

"Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Commissioner shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

"§ 133. Time for prosecuting application

"Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of the Commissioner that such delay was unavoidable.

"§ 134. Appeal to the Board of Appeals

"An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Board of Appeals, having once paid the fee for such appeal.

"§ 135. Interferences

"(a) Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, he shall give notice thereof to the applicants, or applicant and patentee, as the case may be. The question of priority of invention shall be determined by a board of

patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the Claims involved from the patent, and notice thereof shall be endorsed on copies of the patent thereafter distributed by the Patent Office.

"(b) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

"(c) Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of the interference, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in the interference or any patent subsequently issued on any application of such parties so involved. The Commissioner may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of the interference as between the parties to the agreement or understanding.

"(d) The Commissioner shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Commissioner gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

"(e) In making determinations of priority under this section and

other sections of the Statute the parties shall be able to show any and all such dates for the respective acts but shall only be entitled to rely upon dates of conception and reduction to practice no earlier than two years prior to the date of filing the first filed parent application for patent in the United States Patent Office.

"(f) Any discretionary action of the Commissioner under this subsection shall be reviewable under section 10 of the Administrative Procedure Act. (Amended October 15, 1962, Public Law 87-831, 76 Stat. 958).

"Chapter 13.—REVIEW OF PATENT OFFICE DECISIONS AND CERTAIN DECISIONS IN CIVIL ACTIONS

"Sec.
"141. Appeal to Court of Customs and Patent Appeals.
"142. Notice of appeal.
"143. Proceedings on appeal.
"144. Decision on appeal.

"§ 141. Appeal to Court of Customs and Patent Appeals

"An applicant dissatisfied with the decision of the Board of Appeals may appeal to the United States Court of Customs and Patent Appeals. A party to an interference dissatisfied with the decision of the Board of Patent interferences on the question of priority may appeal to the United States Court of Customs and Patent Appeals.

"§ 142. Notice of appeal

"When an appeal is taken to the United States Court of Customs and Patent Appeals, the appellant shall give notice thereof to the Commissioner, and shall file in the Patent Office his reasons of appeal, specifically set forth in writing, within such time after the date of the decision appealed from, not less than sixty days, as the Commissioner appoints.

"§ 143. Proceedings on appeal

"The United States Court of Customs and Patent Appeals shall, before hearing such appeal, give notice of the time and place of the hearing to the Commissioner and the parties thereto. The Commissioner shall transmit to the court certified copies of all the necessary original papers and evidence in the case specified by the appellant and any additional papers and evidence specified by the appellee and in an ex parte case the Commissioner shall furnish the court with the grounds of the decision of the Patent Office, in writing, touching all the points involved by the reasons of appeal.

"§ 144. Decision on appeal

"The United States Court of Customs and Patents Appeals, on petition shall determine such appeal and the decision shall be confined

to the points set forth in the reasons of appeal. Upon its determination the Court shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent Office and govern the further proceedings in the case.

"Either the applicant or the Commissioner of Patents may petition the Supreme Court with regard to a decision of the Court of Customs and Patent Appeals.

"Chapter 14.—ISSUE OF PATENT

"Sec.
"151. Issue of patent.
"152. Issue of patent to assignee.
"153. How issued.
"154. Contents and term of patent.

"§ 151. Issue of patent

"(a) If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.

"(b) Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned.

"(c) Any remaining balance of the issue fee shall be paid within three months from the sending of a notice thereof and, if not paid, the patent shall lapse at the termination of this three-month period. In calculating the amount of a remaining balance, charges for a page or less may be disregarded.

"(d) If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred. (Amended July 24, 1965, Public Law 89–83, secs. 4 and 6; 79 Stat. 260.)

"§ 152. Issue of patent to assignee

"Patents may be granted to the assignee of the inventor of record in the Patent Office, upon the application made by the inventor or assignee as otherwise provided by this title.

"§ 153. How issued

"Patents shall be issued in the name of the United States of America, under the seal of the Patent Office, and shall be signed by the Commissioner or have his signature placed thereon and attested by an

officer of the Patent Office designated by the Commissioner, and shall be recorded in the Patent Office.

"§ 154. Contents and term of patent

"(a) Every patent shall contain a grant to the applicant, his heirs or assigns, of the right, during the term of the patent to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

"(b) The term of a patent shall expire twenty years from the date of filing the application in the United States or, if the benefit of the filing date in the United States of a prior application is claimed, from the earliest such prior date claimed. In determining the term of the patent, the date of filing any application in a foreign country which may be claimed by the applicant shall not be taken into consideration.

"(c) The term of a patent whose issuance has been delayed by reason of the application having been ordered kept secret under section 181 of this title shall be extended for a period equal to the delay in issuance of the patent after the notice of allowability referred to in section 183 of this title.

"Chapter 15.—PLANT PATENTS

"Sec.
"161. Patents for plants.
"162. Description, claim.
"163. Grant.
"164. Assistance of Department of Agriculture.

"§ 161. Patents for plants

"(a) Whoever invents or discovers and asexually reproduces any distinct and new variety of plant including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

"(b) The provisions of this title relating to patents for inventions shall apply to patents for plants, except as otherwise provided.

"§ 162. Description, claim

"No plant patent shall be declared invalid for noncompliance with section 112 of this title if the description is as complete as is reasonably possible.

"The claim in the specification shall be in formal terms to the plant shown and described.

"§ 163. Grant

"In the case of a plant patent the grant shall be of the right to

exclude others from asexually reproducing the plant or selling or using the plant so reproduced.

"§ 164. Assistance of Department of Agriculture

"The President may by Executive order direct the Secretary of Agriculture, in accordance with the requests of the Commissioner, for the purpose of carrying into effect the provisions of this title with respect to plants (1) to furnish available information of the Department of Agriculture, (2) to conduct through the appropriate bureau or division of the Department research upon special problems, or (3) to detail to the Commissioner officers and employees of the Department.

"Chapter 16.—DESIGNS

"Sec.
"171. Patents for designs.
"172. Right of priority.
"173. Term of design patent.

"§ 171. Patents for designs

"(a) Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

"(b) The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

"§ 172. Right of priority

"The right of priority provided for by section 119 of this title and the time specified in section 102(d) shall be six months in the case of designs.

"§ 173. Term of design patent

"Patents for designs may be granted for the term of three years and six months, or for seven years, or for fourteen years, as the applicant, in his application, elects.

"Chapter 17.—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRIES

"Sec.
"181. Secrecy of certain inventions and withholding of patent.
"182. Abandonment of invention for unauthorized disclosure.
"183. Right of compensation.
"184. Filing of application in foreign country.
"185. Patent barred for filing without license.
"186. Penalty.
"187. Nonapplicability to certain persons.
"188. Rules and regulations, delegation of power.

"§ 181. Secrecy of certain inventions and withholding of patent

"(a) Whenever publication or disclosure by the grant of a patent on an invention in which the Government has a property interest might, in the opinion of the head of the interested Government agency,

be detrimental to the national security, the Commissioner upon being so notified shall order that the invention be kept secret and shall withhold the grant of a patent therefor under the conditions set forth hereinafter.

"(b) Whenever the publication or disclosure of an invention by the granting of a patent, in which the Government does not have a property interest, might, in the opinion of the Commissioner, be detrimental to the national security, he shall make the application for patent in which such invention is disclosed available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States.

"(c) Each individual to whom the application is disclosed shall sign a dated acknowledgment thereof, which acknowledgment shall be entered in the file of the application. If, in the opinion of the Atomic Energy Commission, the Secretary of a Defense Department, or the chief officer of another department or agency so designated, the publication or disclosure of the invention by the granting of a patent therefor would be detrimental to the national security, the Atomic Energy Commission, the Secretary of a Defense Department, or such other chief officer shall notify the Commissioner and the Commissioner shall order that the invention be kept secret and shall withhold the grant of a patent for such period as the national interest requires, and notify the applicant thereof. Upon proper showing by the head of the department or agency who caused the secrecy order to be issued that the examination of the application might jeopardize the national interest, the Commissioner shall thereupon maintain the application in a sealed condition and notify the applicant thereof. The owner of an application which has been placed under a secrecy order shall have a right to appeal from the order to the Secretary of Commerce under rules prescribed by him.

"(d) An invention shall not be ordered kept secret and the grant of a patent withheld for a period of more than one year. The Commissioner shall renew the order at the end thereof, or at the end of any renewal period, for additional periods of one year upon notification by the head of the department or the chief officer of the agency who caused the order to be issued that an affirmative determination has been made that the national interest continues so to require. An order in effect, or issued, during a time when the United States is at war, shall remain in effect for the duration of hostilities and one year following cessation

of hostilities. An order in effect, or issued, during a national emergency declared by the President shall remain in effect for the duration of the national emergency and six months thereafter. The Commissioner may rescind any order upon notification by the heads of the departments and the chief officers of the agencies who caused the order to be issued that the publication or disclosure of the invention is no longer deemed detrimental to the national security.

"§ 182. Abandonment of invention for unauthorized disclosure

"The invention disclosed in an application for patent subject to an order made pursuant to section 181 of this title may be held abandoned upon its being established by the Commissioner that in violation of said order the invention has been published or disclosed or that an application for a patent therefor has been filed in a foreign country by the inventor, his successors, assigns, or legal representatives, or anyone in privity with him or them, without the consent of the Commissioner. The abandonment shall be held to have occurred as of the time of violation. The consent of the Commissioner shall not be given without the concurrence of the heads of the departments and the chief officers of the agencies who caused the order to be issued. A holding of abandonment shall constitute forfeiture by the applicant, his successors, assigns, or legal representatives, or anyone in privity with him or them, of all claims against the United States based upon such invention.

"§ 183. Right to compensation

"An applicant, his successors, assigns, or legal representatives, whose patent is withheld as herein provided, shall have the right, beginning at the date the applicant is notified that, except for such order, his application is otherwise in condition for allowance, or February 1, 1952, whichever is later, and ending six years after a patent is issued thereon, to apply to the head of any department or agency who caused the order to be issued for compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Government, resulting from his disclosure. The right to compensation for use shall begin on the date of the first use of the invention by the Government. The head of the department or agency is authorized, upon the presentation of a claim, to enter into an agreement with the applicant, his successors, assigns, or legal representatives, in full settlement for the damage and/or use. This settlement agreement shall be conclusive for all purposes notwithstanding any other provision of

law to the contrary. If full settlement of the claim cannot be effected, the head of the department or agency may award and pay to such applicant, his successors, assigns, or legal representatives, a sum not exceeding 75 per centum of the sum which the head of the department or agency considers just compensation for the damage and/or use. A claimant may bring suit against the United States in the Court of Claims or in the District Court of the United States for the district in which such claimant is a resident for an amount which when added to the award shall constitute just compensation for the damage and/or use of the invention by the Government. The owner of any patent issued upon an application that was subject to a secrecy order issued pursuant to section 181 of this title, who did not apply for compensation as above provided, shall have the right, after the date of issuance of such patent, to bring suit in the Court of Claims for just compensation for the damage caused by reason of the order of secrecy and/or use by the Government of the invention resulting from his disclosure. The right to compensation for use shall begin on the date of the first use of the invention by the Government. In a suit under the provisions of this section the United States may avail itself of all defenses it may plead in an action under section 1498 of title 28. This section shall not confer a right of action on anyone or his successors, assigns, or legal representatives who, while in the full-time employment or service of the United States, discovered, invented, or developed the invention on which the claim is based.

"§ 184. Filing of application in foreign country

"(a) Except when authorized by a license obtained from the Commissioner a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country. A license shall not be granted with respect to an invention subject to an order issued by the Commissioner pursuant to section 181 of this title without the concurrence of the head of the departments and the chief officers of the agencies who caused the order to be issued. The license may be granted retroactively where an application has been inadvertently filed abroad and the application does not disclose an invention within the scope of section 181 of this title.

"(b) The term 'application' when used in this chapter includes applications and any modifications, amendments, or supplements thereto, or divisions thereof.

"(c) A retroactive license may be granted at any time notwithstanding the fact that a corresponding United States application has matured into a patent. Such retroactive license shall have the same force and effect as if granted during the pendency of said application.

"§ 185. Patent barred for filing without license

"Notwithstanding any other provisions of law any person, and his successors, assigns, or legal representatives, shall not receive a United States patent for an invention if that person or his successors, assigns, or legal representatives shall, without procuring the license prescribed in section 184 of this title, have made, or consented to or assisted another's making, application in a foreign country for a patent or for the registration of a utility model, industrial design, or model in respect of the invention. A United States patent issued to such person, his successors, assigns, or legal representatives shall be invalid.

"§ 186. Penalty

"Whoever, during the period or periods of time an invention has been ordered to be kept secret and the grant of a patent thereon withheld pursuant to section 181 of this title, shall, with knowledge of such order and without due authorization, willfully publish or disclose or authorize or cause to be published or disclosed the invention, or material information with respect thereto, or whoever, in violation of the provisions of section 184 of this title, shall file or cause or authorize to be filed in any foreign country an application for patent or for the registration of a utility model, industrial design, or model in respect of any invention made in the United States, shall, upon conviction, be fined not more than $10,000 or imprisoned for not more than two years, or both.

"§ 187. Nonapplicability to certain persons

"The prohibitions and penalties of this chapter shall not apply to any officer or agent of the United States acting within the scope of his authority, nor to any person acting upon his written instructions or permission.

"§ 188. Rules and regulations, delegation of power

"The Atomic Energy Commission, the Secretary of a defense department, the chief officer of any other department or agency of the Government designated by the President as a defense agency of the United States, and the Secretary of Commerce, may separately issue rules and regulations to enable the respective department or agency to carry out the provisions of this chapter, and may delegate any power conferred by this chapter.

"PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

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"§ 251. Reissue of defective patents

"(a) Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Commissioner shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

"(b) The Commissioner may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

"(c) The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent.

"(d) No reissued patent shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

"§ 252. Effect of reissue

"(a) The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of action, for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are identical with the original

patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

"(b) No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practiced, or for the practice of which substantial preparation was made, prior to the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

"§ 253. Disclaimer

"(a) Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing and recorded in the Patent Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

"(b) In like manner any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted.

"§ 254. Certificate of correction of Patent Office mistake

"Whenever a mistake in a patent, incurred through the fault of the Patent Office, is clearly disclosed by the records of the Office, the Commissioner may issue a certificate of correction stating the fact and nature of such mistake, under seal, without charge, to be recorded in the records of patents. A printed copy thereof shall be attached to each printed copy of the patent, and such certificate shall be considered as part of the original patent. Every such patent, together with such certificate, shall have the same effect and operation in law on the trial

of actions for causes thereafter arising as if the same had been originally issued in such corrected form. The Commissioner may issue a corrected patent without charge in lieu of and with like effect as a certificate of correction.

"§ 255. Certificate of correction of applicant's mistake

"Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the Patent Office, appears in a patent and a showing has been made that such mistake occurred in good faith, the Commissioner may, upon payment of the required fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require reexamination. Such patent, together with the certificate, shall have the same effect and operation in law on the trial of actions for causes thereafter arising as if the same had been originally issued in such corrected form.

"§ 256. Correction of named inventor

"Omission of an inventor's name or inclusion of the name of a person not an inventor, without deceptive intent shall not affect validity of a patent, and may be corrected at any time by the Commissioner in accordance with regulations established by him or upon order of a Federal court before which the matter is called in question. Upon such correction the Commissioner shall issue a certificate accordingly.

"Chapter 26.—OWNERSHIP AND ASSIGNMENT

"Sec.
"261. Ownership; assignment.
"262. Joint owners.

"§ 261. Ownership; assignment

"(a) Subject to the provisions of this title, patents shall have the attributes of personal property.

"(b) Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

"(c) A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, shall be prima facie evidence of the execution of

an assignment, grant or conveyance of a patent or application for patent.

"(d) An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

"§ 262. Joint owners

"In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use or sell the patented invention without the consent of and without accounting to the other owners.

"Chapter 27.—GOVERNMENT INTERESTS IN PATENTS

"Sec.
"267. Time for taking action in Government applications.

"§ 267. Time for taking action in Government applications

"Notwithstanding the provisions of sections 133 and 151 of this title, the Commissioner may extend the time for taking any action to three years, when an application has become the property of the United States and the head of the appropriate department or agency of the Government has certified to the Commissioner that the invention disclosed therein is important to the armament or defense of the United States.

"Chapter 28.—INFRINGEMENT OF PATENTS

"Sec.
"271. Infringement of patent.
"272. Temporary presence in the United States.

"§ 271. Infringement of patent

"(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

"(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

"(d) No patent owner otherwise entitled to relief for infringement

or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

"(e) Whoever, without authority of the patentee, imports into the United States, for purposes of trade or use in trade or industry, a product made in another country by a process patented in the United States shall be liable as an infringer.

"§ 272. Temporary presence in the United States

"The use of any invention in any vessel, aircraft or vehicle of any country which affords similar privileges to vessels, aircraft or vehicles of the United States, entering the United States temporarily or accidentally, shall not constitute infringement of any patent, if the invention is used exclusively for the needs of the vessel, aircraft or vehicle and is not sold in or used for the manufacture of anything to be sold in or exported from the United States.

"Chapter 29.—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS

"Sec.
"281. Remedy for infringement of patent.
"282. Presumption of validity; defenses.
"283. Injunction.
"284. Damages.
"285. Attorney fees.
"286. Time limitation on damages.
"287. Limitation on damages; marking and notice.
"288. Action for infringement of a patent containing an invalid claim.
"289. Additional remedy for infringement of design patent.
"290. Notice of patent suits.
"291. Interfering patents.
"292. False marking.
"293. Nonresident patentee, service and notice.

"§ 281. Remedy for infringement of patent

"A patentee shall have remedy by civil action for infringement of his patent.

"§ 282. Presumption of validity; defenses

"(a) A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. The

burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it.

"(b) The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

"(1) Noninfringement, absence of liability for infringement, or unenforceability,

"(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

"(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

"(4) Any other fact or act made a defense by this title.

"(c) In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

"§ 283. **Injunction**

"The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

"§ 284. **Damages**

"(a) Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"(b) When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

"(c) The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

"§ 285. Attorney fees

"The court in exceptional cases may award reasonable attorney fees to the prevailing party.

"§ 286. Time limitation on damages

"(a) Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

"(b) In the case of claims against the United States Government for use of a patented invention, the period before bringing suit, up to six years, between the date of receipt of a written claim for compensation by the department or agency of the Government having authority to settle such claim, and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the period referred to in the preceding paragraph.

"§ 287. Limitation on damages; marking and notice

"Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented, either by fixing thereon the word 'patent' or the abbreviation 'pat.', together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

"§ 288. Action for infringement of a patent containing an invalid claim

"Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent Office before the commencement of the suit.

"§ 289. Additional remedy for infringement of a design patent

"(a) Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which

such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

"(b) Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

"§ 290. Notice of patent suits

"The clerks of the courts of the United States, within one month after the filing of an action under this title shall give notice thereof in writing to the Commissioner, setting forth so far as known the names and addresses of the parties, name of the inventor, and the designating number of the patent upon which the action has been brought. If any other patent is subsequently included in the action he shall give like notice thereof. Within one month after the decision is rendered or a judgment issued the clerk of the court shall give notice thereof to the Commissioner. The Commissioner shall, on receipt of such notices, enter the same in the file of such patent.

"§ 291. Interfering patents

"The owner of an interfering patent may have relief against the owner of another by civil action, and the court may adjudge the question of the validity of any of the interfering patents, in whole or in part. The provisions of the second paragraph of section 146 of this title shall apply to actions brought under this section.

"§ 292. False marking

"(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, or sold by him, the name or any imitation of the name of the patentee, the patent number, or the words 'patent', 'patentee,' or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made or sold by or with the consent of the patentee; or

"Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word 'patent' or any word or number importing that the same is patented, for the purpose of deceiving the public; or

"Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words 'patent applied for,' 'patent pending,' or any word importing that an application for patent has been made,

when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

"Shall be fined not more than $500 for every such offense.

"(b) Any person may sue for the penalty, in which event one-half shall go to the person suing and the other to the use of the United States.

"§ 293. Nonresident patentee; service and notice

"Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court."

TRANSITIONAL AND SUPPLEMENTARY PROVISIONS

SEC. 2. If any provision of title 35 Patents, United States Code, as amended by this Act, or any other provision of this Act, is declared unconstitutional or is held invalid, the validity of the remaining provisions shall not be affected.

SEC. 3. (a) This Act shall take effect on the day six months after enactment.

(b) Applications for patent actually filed in the United States prior to the effective date of this Act shall continue to be governed by the provisions of title 35 in effect immediately prior to the effective date hereof.

(c) Assistant commissioners of patents and examiners-in-chief in office on the effective date of this Act shall continue in office under and in accordance with their then existing appointments.

(d) The amendment of title 35, United States Code, by this Act, shall not affect any rights or liabilities existing under title 35 in effect immediately prior to the effective date of this Act.

SEC. 4. This Act may be cited as "The Patent Act of 1967."

Mr. KASTENMEIER. We have heard the gentleman from Florida refer to the increase of interest in patents in the State of Florida. You probably have the same situation in Connecticut. It has been a state which to a very great extent has been interested in development.

Mr. GIAIMO. Very much so.

Mr. KASTENMEIER. The gentleman from Virginia, Mr. Poff, reminds me that our colleague from Connecticut, Mr. Daddario, has made a considerable contribution in legislation in the patent field, and so it does appear that Connecticut is well represented in this connection.

Mr. DeLio, I think you indicated that you have submitted to the committee a 23-page statement which you would like to present for the record. You may proceed as you wish.

STATEMENT OF ANTHONY P. DeLIO, PATENT LAWYER, SENIOR PARTNER OF DeLIO & MONTGOMERY, NEW HAVEN, CONN.

Mr. DELIO. Yes. I welcome the privilege to speak before the committee, Mr. Chairman.

Mr. KASTENMEIER. Without objection, the statement submitted by Anthony P. DeLio will be made part of the record.

(The statement follows:)

This is the prepared statement of Anthony P. DeLio, New Haven, Connecticut, in connection with patent legislation, H.R. 5924 and H.R. 7454.

Anthony P. DeLio is a patent lawyer from New Haven, Connecticut and Senior partner in the firm of DeLio and Montgomery. Mr. DeLio is the Secretary of the Connecticut Patent Law Association, Chairman of the Legislative Committee of the Patent, Trademark and Copyright Section of the Connecticut Bar Association and a member of various legislative committees of the American Bar Association, Patent, Trademark and Copyright Section and the American Patent Law Association. Mr. DeLio is speaking on behalf of himself and various individual inventors and corporate patent owners.

This statement has been prepared and is submitted to the United States House of Representatives Judiciary Subcommittee on Patents, Trademarks and Copyrights, in keeping with the rules and regulations for an appearance before said committee.

STATEMENT

The President's Commission to study the Patent System has made its report to the President and as a result legislation has been introduced into the Federal Congress by the Administration in the form of two bills, H.R. 5924 (S. 1042). In addition to this legislation, legislation has been introduced into the Federal Congress in the form of two other bills, H.R. 7454 (S. 1691).

Comments in this statement will be directed to the Presidential Commission's Report, the aforementioned legislation and commentaries relative thereto.

The Presidential Commission's Report starts out with some general comments concerning the Patent System and mentions six reasons why changes are necessary. Its recommendations then number 35.

PRESIDENTIAL COMMISSION'S REPORT

To begin with, the Commission recommends (Recommendation I) the institution of a first to file system without any grace period. In essence, what the Commission recommends is the award of a patent to the first individual to file a patent application whether or not he is the first inventor. As such, the interference practice will be eliminated and an award made on the basis of first to file. In addition, and as part of the same recommendation, the Commission recommends the elimination of the one year grace period. This period has been a part of the law in order to give the inventor some time for experimentation and consolidation of his position in connection with the technology involved.

The Commission suggests the institution of a preliminary filing system (Recommendation II) wherein the inventor may file a series of preliminary applications in the Patent Office which within a year's period must be consolidated into

a complete application. This contrasts with the present system wherein each application stands on its own.

In line with its harmonization principals, i.e., the harmonization of our system with the Patent System of other countries around the world, the Commission recommends (Recommendation I) that foreign knowledge, use and sale be a bar to the grant of the patent in the United States. This also contrasts with the present system wherein knowledge, use and sale of the invention must take place in this country.

In an effort to encourage the inventor to exhibit his invention for the purpose of attracting capital, etc., the Commission suggests that the display of an invention at an official international exhibition be disregarded. Also (R III) an unauthorized disclosure by third parties who derive the invention from the inventor may not be used as a bar to a grant of a patent.

The Commission recommends (R VII) legislation whereby pending patent applications are published within 18 to 24 months from the date of filing, then a republication after allowance of the application, followed by publication again upon issuance of the patent. This procedure is accompanied by suggestions (R XI) whereby third parties may inform the Patent Office of prior art or issue information upon which the Patent Office may deny the grant of a patent with the identity of the party communicating the information held secret. In addition, the Commission recommends that any third party may institute public use proceedings to decide whether a patent should issue (XI).

In addition, the Commission recommends (R XV) that any patent which is granted shall be subject to cancellation. The cancellation may be instituted by third parties who will apprise the Patent Office of the pertinency of any information or art upon which the patent should be cancelled and the patentee shall have an opportunity to defend the patent in proceedings between himself and the Patent Office. If the validity of a claim in a patent is in issue, it can be decided before either the Patent Office or the courts, depending upon where the isuue was first presented.

In an effort to protect the inventor during the period between publication and issuance of the patent a liability and infringement formula is suggested for the interim period. (R XVII) In this connection such interim liability is only available to the prospective patentee if nonexclusive licenses on a reasonable royalty basis are extended to the infringer. In the case of an infringement involving a machine, manufacture or composition of matter, the interim liability is only available if there is offered a nonexclusive license at a reasonable royalty for the interim period and a period beyond the issuance of the patent.

In order to assist in the administration of some of the procedures set forth in the Commission's report, the Commission suggests that the Court of Appeals for the District of Columbia be interposed between the Court of Customs and Patent Appeals and the Supreme Court. (R XIV) In addition, the Commission recommends that once a claim is declared invalid in one judicial circuit, the claim shall be invalid in all circuits, regardless of whether or not the claim had been declared valid previously. (R XXIII) The Commission suggests a revamping of the basis upon which continuation applications may be filed by setting up a formula for continuation, continuation-in-part and divisional applications. (R VIII)

The Commission suggests that applications may be filed in the name of the assignee so long as the inventors are identified in the filing and provided that appropriate documents are filed in due course. (R V)

The Commission recommends the elimination of design patent protection and plant patent protection. (R IV) These recommendations were not followed in the Administration bills. The Commission also recommended that a series of instructions which control or condition the operation of a data-processing machine, generally referred to as a "program," should not be considered patentable. (R IV)

The Commission recommended that claims for a foreign priority under the International Convention must be made at the time the complete application is filed, (R VI), that an applicant for patent shall have the burden of persuading the Patent Office that a claim is patentable (R X) and that a Patent Office decision refusing the claim (but not granting the claim) shall be given a presumption of correctness and shall not be reversed unless clearly erroneous. (R XIII)

The Commission goes on to suggest elimination of the broadening of a claim by way of a reissue application (R XVI) and the right of a patentee to disclaim

a portion of the term of a patent in order to avoid a rejection by the Patent Office. (R XX)

The Commission suggests that the term of a patent shall expire 20 years from its earliest effective date (R XVIII) and any patent whose issuance has been delayed by reason of a secrecy order shall be extended for a like period. (R XIX)

The Commission recommends that the importation of a product into the United States which was made abroad by a process patented in the United States shall constitute an act of patent infringement. (R XXI) However, the drafters of the Administration bill changed this provision by adding the provision that such act shall constitute infringement only where protection is not available in the foreign country. In the same vein the Commission suggested that the rule of reason be applied to the misuse doctrine in connection with the licensing of applications for patents, etc. (R XXII) This was not made a part of the Administration bill.

The Commission also suggested that a Statutory Advisory Council be created (R XXVI) which would oversee the operations of the Patent Office to determine whether or not a system of deferred examination of patent applications should be adopted (R XXVI). In this connection the Commission did not recommend that deferred examination be put into operation in this country (R IX), but suggested that there be standby authority to institute such a system. The deferred examination procedure is one whereby the applicant or third party may, upon payment of a fee, obtain examination of the application. In other words, upon filing the application and paying the proper fee, the applicant would merely be putting his application on file in the Patent Office, which would then set into motion the publication procedures. The Patent Office, however, would not be obliged to examine the application or issue an action until either the inventor or an interested third party requested such action and paid an appropriate fee.

The Commission also recommended that the Patent Office be substantially self-sustaining (R XXVII) and in the Administration bill the fee structure under the recently passed act was completely eliminated in favor of a structure which would be left to the discretion of the Commissioner of Patents. The Commissioner in turn was to base the fees payable to the Patent Office in connection with the various procedures upon cost. In the Administration bill the Commissioner was instructed to recover between 65 and 75 percent of the cost of operating the Patent Office from those who did business with the Patent Office.

The Commission suggests the creation of the office of Civil Commissioner, which Commissioners would conduct pretrial hearings, preside at depositions of the parties and otherwise supervise the discovery proceedings and the preliminary rulings upon the admissibility of evidence before the trial of patent cases in the Federal District Courts. (R XXIV)

In addition, a party to a patent case could seek to reduce his cost by submitting the case to the Court on the basis of a stipulation of facts or on the basis of affidavits without any pretrial discovery (R XXV). This procedure would only be available where no injunctive relief was being sought by the plaintiff and where only limited damages were being sought.

The Commission recommended a harmonization of the patent practice in this country with the Patent Offices and Patent Systems abroad with the ultimate goal being a universal patent throughout the world (R XXXV). In this connection the Commission recommended that the Paris Convention be modified to remove one of the obstacles in measuring the term of a patent from the effective first filing date (R XXXIV). The Commission also recommended that the United States (and all other countries in the world) should harmonize the Paris Convention whereby a right of priority may be based uopn the application for an inventor's certificate, such as is filed in the Soviet Union and in one or two other Eastern European countries, (R XXXIII).

The Commission recommended that the Patent Office proceed with an international information retrieval program, an expansion of such operations in the Patent Office to meet the demands of classification, reclassification, etc. In addition the Commission recommended that a quality control system be set up to review the quality of patents issued by the Patent Office and that the Patent Office proceed with the microfilm reproduction of all search files. The Commission made no recommendation on government patent policy legislation.

COMMENTARY: PRESIDENTIAL COMMISSION'S REPORT

The Presidential Commission's Report did not come to grips with the practical everyday problems facing the Patent Office and the Patent System. For example, the Commission did not discuss the inadequacy of the patent budget in an age of exploding technology, the high turnover of Patent Examiners and the failure of the Patent Office to recruit necessary personnel. Nor did the Commission discuss the poor plant and equipment associated with the Patent Office operations and the scattering of the operations of various functions of the Patent Office throughout the Washington Metropolitan area.

The Commission also did not take into consideration the fact that the Patent Laws were substantially revised and codified in 1952 nor did it take into consideration the fact that the Patent System and the Patent Laws have evolved and changed with the economy since 1836.

The Commission did not take into consideration the fact that the publication of *patents* does not result in the public disclosure of technological advances, but that the former is a by-product of the latter. Technological advances are disclosed to the public usually before the application is filed due to the existence of the current one year grace period or are disclosed soon after the application is filed because, while the applicant is seeking patent protection his unsolidified position is held secret. While the Commission speaks about shortening the pendency time to obtain a patent, it then institutes procedures which would substantially lengthen the pendency period with added cost to the applicant.

In another vein, the Commission seemed to be inclined toward harmonization of our Patent System regardless of whether or not this harmonization was a harmonization with more complex systems which make our Patent System cumbersome and unavailable to a great segment of our population. The Commission did not take into consideration the practical result of the new system which would bring about a further concentration of economic power. In one instance the Commission suggested a reverse harmonization, that is, a harmonization of almost all of the Patent Systems of the world with perhaps the Patent System in the U.S.S.R. and one or two other Eastern European countries.

As such, the recommendations of the Commission seem to suggest change regardless of whether it is better or not, and regardless of whether it is needed or not. In addition, some of the cures for the Patent System are far worse than the ills. For example, the procedures that the Commission suggests in connection with the elimination of interferences, fails to take into consideration that the first to file system creates a host of disadvantages, viz., the complex procedures for publication, filing of preliminary applications, etc. Yet these are suggested in order to eliminate interferences which occur in less than 1 per cent of the cases. Perhaps the greatest failure of the Presidential Commission's Report is the failure to recognize that the Patent System is more than self-sustaining at the present time. For example, the Commission fails to note the indirect benefits of the Patent System to our economy or the income to our economy, as a result of the licensing of inventions abroad. Yet this figure is in excess of $600 million dollars.

The Commission also suggests that the various recommendations be taken as a whole, in other words, the Commission suggests that the recommendations are interrelated and if one falls they all fall. By the same token, if certain recommendations are desired, all recommendations must be followed. The most serious parts of the Presidential Commission's report concern recommendations I, II, VII, VIII, IX, XI, XIV, XV, XVI, XVII, XXIII, XXVI, XXVII, XXVIII, XXXIII and XXXV.

Finally and perhaps most significantly, the recommendations of the Commission will not result in meeting the six main objectives outlined by the Commission. In this connection, neither the quality nor the reliability of United States patents will be raised without a substantial increase in the Patent Office budget. Nor will the period of pendency of patent applications be shortened without a substantial increase in the budget. The Patent System envisaged by the Presidential Commission's Report will not necessarily accelerate the public disclosure of technological advances. On the contrary, in some areas it may impede public disclosure and create more secret science. The expense for obtaining and litigating a patent will be substantially increased. The United States patent will not become more compatible with that of other countries in a manner consistent with the objectives of the United States Patent System. Nor will the Patent System

be prepared to cope with exploding technology by merely effecting substantive and procedural changes in the laws.

COMMENTARY H.R. 5924 (S. 1042)

The following is a section-by-section commentary of the Administration's bill and is directed to major changes to the present patent laws as effected by H.R. 5924 (S. 1042). The section number headings listed below correspond to the sections in H.R. 5924 (S. 1042). This analysis on the individual sections in general ignores the relatively minor changes resulting from the major modifications.

SECTION 11

The amendments to Items 1 and 4 of the present subsection (a) are necessitated by the institution of a system for the publication of patent applications and complete applications (Section 123 below) which goes hand in hand with, 1) the elimination of interferences and, 2) the institution of a first-to-file procedure, viz., § 102 below. This publication system also goes hand in hand with the institution of opposition, public use, and cancellation proceedings pursuant to § 123, 136, 151, 257 and deferred examination under § 191 through 194.

In this connection it is contemplated that patent applications be published within a certain period after their filing and before action by the Patent Office, followed by publication again after allowance and again after grant of the patent. This contrasts with the present laws where there are no publications upon filing or allowance. As such, the printing costs of the Patent Office should rise *sharply*. This is especially true when one considers the filing of about 100,000 applications and the allowance of 50,000 patents in a year. These documents usually contain approximately 6 to 8 pages each. The accompanying increase in costs to the Patent Office will be allocated to the applicant. As such, it will give rise to an added fee and burden.

SECTION 15

The Advisory Council, containing anywhere from 12 to 24 members is established primarily to oversee the operations of the Patent Office with a view toward implementing deferred examination under new sections 191 through 194. This will also add to the costs of administering the Patent Office.

SECTION 41

This new section abrogates the Patent Office fee structure established by Act of Congress in November, 1965 and establishes a new procedure whereby the Commissioner of Patents (and not the Congress) sets the Patent Office fees. In addition, there is no prohibition against the establishment of maintenance fees. This latter fee is a fee usually payable on a yearly basis to keep a patent in force. The absence of a prohibition against maintenance fees exists, notwithstanding the rejection of such a fee by the Congress at the time of passing the 1965 Act. In addition, this so-called "open ended" fee structure (or lack of a definite structure) is in contemplation of increased costs for operating the Patent Office, the institution of new fees for new procedures and in general to meet the 65% to 75% recovery level specified in the new bill. This is one of the most obnoxious portions of H.R. 5924 and is a severe threat to the individual and small corporate inventor.

SECTION 100

The subsection (d) addition is in line with the changes as to who or whom may file an application as prescribed in new section 115, etc. There is no objection to this provision or that of section 115. It facilitates the filing of applications by other than the inventor per se, by allowing the assignee, his estate or beneficial owner to file while harmonizing our practice with those of other countries.

The subsection (f) change is an attempt at "ironing out" the difficulties that will plague the Patent Office, the Courts and the applicant as regards the filing of preliminary applications without claims and the subsequent filing of complete applications with claims, etc. This is necessitated by elimination of interferences and the establishment of a first-to-file system, etc. This subsection change is an indication of the uncertainty and complications that will arise under the system established by H.R. 5924.

SECTION 102

This new section, as a single entity, effects the most significant changes to the present laws. It establishes a first-to-file system which will result in hurried and, in some cases, premature filings, and distinctly favors those with the greatest ability to pay. It establishes a race to the Patent Office with its attendant disadvantages, viz., "claim jumping", etc.

This new section would appear to be unconstitutional as the award of a patent is not necessarily given to the (first) inventor, but to the one who wins the race to the Patent Office.

In addition, it is established to eliminate the interferences which are about 1% of the applications filed and in spite of the fact that a *majority* of interferences are settled before the testimony period, that is, during the initial stages, not unlike the pleading stages of a normal contested matter.

Also in this new section, any public use or sale negates the grant of a patent thus encouraging "secrecy" and a (great) reluctance to refining the invention before filing. For this latter reason the preliminary application procedure is established, which in itself can result in multitudinous filings and refilings, etc. The latter of course are best afforded only by those with the greatest ability to pay. The elimination of the one year "grace period" covering use, sale, etc., goes hand in hand with the new system established by H.R. 5924.

In addition, this new section establishes use, sale or knowledge in a *foreign* country as a bar against the grant of the patent in the *United States*, notwithstanding the historical basis for rejecting all foreign knowledge, use and sale, due to the difficulties of proof, both monetary and factual, the uncertainty that can arise as a result of such defenses and the traditional (based upon the English Common Law of the 15th and 16th century) basis for rejecting such foreign acts. The latter is based upon the fact that foreign knowledge, use and sale does not help promote the progress of the useful arts in a country where it is not known.

The change in the form of the prior art, that is, from "printed" to some "tangible form", would seem to be unobjectionable in view of xerography and other modern copying systems.

Subsection (b) is necessitated by transitional problems concerning old applications, etc.

SECTION 105

This new section is unobjectionable, but is only necessitated by the fact that the one year grace period under the present Act is eliminated by the new proposals under H.R. 5924. This section is designed to prevent certain unauthorized disclosures.

SECTION 106

This is an entirely new concept which establishes a rule of unpatentability for computer programs. Although it is not too objectionable, it favors the established companies like IBM, RCA, etc.

SECTION 111

The subsection (a) proposal is not objectionable and is necessary to allow some measure of liberality in who can file an application.

The remainder of the section is an attempt at defining what is a preliminary application and what is a complete application and is of course necessitated by the new system of filing preliminary and complete applications established by H.R. 5924. It is objectionable.

SECTION 115

The proposed section specifies the conditions for the application oath or declaration, etc. It is not objectionable.

SECTION 120

The proposed section establishes the basis for claiming the true (priority) filing date, which problem arises as a result of the system of filing preliminary and complete applications under H.R. 5924. The conditions and restrictions under (a) and even (b) point up the great uncertainty, complications and problems attendant the filing of preliminary and complete applications. Costs for patentability and infringement risk searches and the attendant resolution of such questions in

the Courts will rise sharply. As such, the accessibility of the Patent System will be further curtailed to those who have the ability to pay.

In addition, the Section (b) change contemplates a *complicated* procedure as to refiling applications with or without new matter. This is proposed in spite of the fact that any abuse is minimized by changing the term of each refiled application to run from the filing date of the parent application pursuant to the proposed change in § 154(b). This section and related changes in H.R. 5924 are objectionable from the standpoint of the individual and small corporate inventor.

SECTION 123

This section ties in with mandatory publication of applications as established by the new system of H.R. 5924, in spite of the fact that no decision may have been made as to grant of a patent. It is also necessitated by the opposition and public use proceedings established by H.R. 5924.

SECTION 131

This section gives some practical insights into the new system in that it indicates that only *complete* applications will be examined. Since a complete application can be filed up to a year after filing the preliminary application or applications, backlog is theoretically eliminated for one year.

SECTION 136

This new section establishes the opposition and public use proceedings of H.R. 5924. This is most objectionable because again such procedures offer every advantage to those who have the ability to pay.

SECTION 137

This is a new section which appears to be in conflict with § 103 of H.R. 5924. It establishes another basis for rejecting the grant of a patent to an applicant by putting the burden on the applicant. It would appear to be established in an effort to overrule many years of precedent and the recent exposition of such precedents by the Court of Customs and Patent Appeals. It will promote more (costly) appeals to the Board of Appeals in the Patent Office, the CCPA and (by the new route established by Section 147) to the Court of Appeals for the District of Columbia. It is most obnoxious to the individual and small corporate inventor who has no laboratory set up for establishing tests which could be the basis for persuasive evidence, etc.

SECTION 147

This appears to be a very illogical and contradictory proposal, when we consider the Presidential Commission's desire to reduce the costs of litigation, etc. This imposes another appeal route, en route to the Superior Court from a decision of the CCPA refusing or granting a patent.

It will be extremely burdensome to the individual and small corporate inventor. This section, taken with § 137, is a distinct desire to cut down the availability of patent protection in this country and the desire to obtain patent protection generally, notwithstanding the foreign income to U.S. entities of about one (1) billion dollars a year.

SECTION 148

This is another new section not unlike section 137, which only addresses itself to one side of the "coin". The Presidential Commission says this is established to harmonize the decisions of the District Court for the District of Columbia and the decisions of the CCPA. Nevertheless, the corollary provision that a Patent Office decision *granting* a claim shall be given a presumption of corrections, etc., is conspicuously absent. If the Commission wants to settle the difference of opinion in the District Court and the CCPA (a Constitutional Court or higher judicial level), it ought to eliminate the dual route of appeal and consolidate all appeals in the CCPA, which is better equipped to handle the lego-technical problems present in a patent appeal. The latter would avoid the necessity for this section of H.R. 5924.

SECTION 151

This relates to publication of applications and issuance of the patent. The former is necessitated by the system established by H.R. 5924, for opposition and public use proceedings. As such, it is obnoxious to the individual and small corporate inventor.

SECTION 154

This section changes the present law which measures the term of the patent from the grant of the patent. The latter is intended to give the inventor or applicant a set number of years for the patent term, 17. This latter system is calculated so as not to penalize the applicant for delays in examination occasioned by the Patent Office, or by delays occasioned by refilings or delays occasioned by interferences.

This change to measuring the patent from the date of filing will cut down on some abuses by applicant arising in connection with deliberate delays and interferences in repeated refilings. However, it is only acceptable if the Congress is willing to meet the necessary budget demands of the Patent Office for more examiners, better quarters, etc., to insure a normal backlog of no more than three (3) or four (4) years.

SECTIONS 191–194

These are entirely new and establish the machinery for a deferred examination system if the Advisory Council so directs. This is a very illogical procedure which is predicated to cut the (theoretical) backlog of the Patent Office. As such, no application which is placed on file is part of the backlog until an examination is requested. As such, the theoretical backlog of the Patent Office is zero (0) when the Act (H.R. 5924) goes into effect.

In the alternative, the hope of deferred examination is that some people will not proceed with examination within the time specified for such action.

As in the opposition proceeding, when one not the applicant calls for examination, his identity shall be kept *secret*. In addition, the procedure calls for the payment of an additional fee for examination of the application. As such, the individual or small corporate inventor is again put at a disadvantage. He must pay an additional sum for examination of his case and if he should seek to precipitate action in another's case which may be germane to his situation, he will have to pay for that, too.

This is a most controversial system established by H.R. 5924 and should be fought vigorously. It favors those with the ability to pay and could result in more "secrecy" in the final analysis. It would appear to offer little advantage based upon the apparent lack of success of a similar program in The Netherlands.

SECTION 251

This section, which concerns the elimination of certain reissue procedures to correct issued patents is less logical under the new system than under the old (present) laws. A reissue patent is granted to correct a deficiency in a previously issued patent. It can only be applied for under certain conditions and if it broadens the scope of the previous patent grant it must be filed within 2 years of the original patent. The reissue does not extend the term of protection. It merely runs until the end of the term of the original patent.

The reissue procedure has grown up over the years due to the rather pedantic manner in which claims in a patent are obtained and interpreted in this country. In the United States we have a "peripheral" claim drafting technique and interpretation and even a slight mistake in drafting patent claims can be fatal to an otherwise meritorious invention. In Europe where the preliminary application filing and registration systems (no examination of applications) abound, the more liberal and central claim drafting technique is followed. This technique is more liberal to the patentee and allows greater latitude in the interpretation of claims.

Logically, in an effort to follow the system established by H.R. 5924, together with the elimination of the broadened reissue, H.R. 5924 ought to establish the central claim drafting techniques and the central interpretation technique by the Courts.

SECTION 253

This removes a procedure available to the patentee under the present law, which is calculated to either correct for inadvertence in overclaiming or to avoid

a rejection by the Patent Office based upon so-called double patenting. This is a refinement in the laws like the broadening reissue, which accounts for very few patents or applications. It should be preserved under a peripheral claim drafting and interpretation technique.

SECTION 256

This change is beneficial and avoids many collateral attacks upon patents based upon misjoinder or non-joinder of inventors in otherwise valid patents.

SECTION 257

This constitutes a new procedure, which is conducted *ex parte* (between the Patent Office and patentee) for the purpose of cancelling a patent on the request of a third party. This is a procedure which favors those with the ability to pay.

SECTION 271

The new subsection (b) is desirable and covers the importation of infringing goods. However, in H.R. 5924 the section qualifies the availability of the remedy by predicating it upon the lack of available patent protection abroad. This is contrary to the suggestion by the Presidential Commission. The Presidential Commission's suggestion should be followed.

SECTION 273

This is a most complex section which attempts to cover up some of the ills resulting from the use of an invention during the period after publication of the application and before grant of the patent. It sets up certain criteria for establishing the ad interim liability by an unauthorized user, but it specifies that the applicant or inventor *must* license the invention to the unauthorized user. This is most unfair and shows another facet of the bill, a diminution of the patent right.

SECTION 294

This is a most deceiving provision. While it *appears* to be acceptable and fair if a patent is first declared invalid, it does not take into consideration a situaton where a patent claim is declared invalid *after* having been held valid once, twice or more times. Again the corollary holding is not included, i.e., that a decision holding a claim *valid* shall be given equal weight or at least not overturned unless clearly erroneous.

Again, if the Presidential Commission wanted to avoid the problem and still do something about the abuse it is attempting to remedy, it should establish a centralized Court of Appeals (perhaps an expanded CCPA), where all District Court decisions would be heard in patent, trademark and copyright matters, etc.

COMMENTARY COMPARISON OF H.R. 7454 WITH THE CURRENT PATENT LAWS

1. Sections 12, 13 and 14 have been eliminated from the Current Act and the following Section included as Section 12:

"SEC. 12. Research and studies

The Commissioner shall conduct a program of research and development to improve and expedite the handling, classification, storage and retrieval of patents and other scientific and technical information.

2. Section 25 has been cancelled from the current Act and the following Section 25 substituted in its place:

"SEC. 25. Oath and declaration in lieu of oath

"(a) An oath to be filed in the Patent Office may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer authorized to administer oaths in the foreign country in which the applicant may be, whose authority shall be proved by certificate of a diplomatic or consular officer of the United States, and such oath shall be valid if it complies with the laws of the state or country where made.

"(b) The Commissioner may by rule prescribe that any document to be filed in the Patent Office and which is required by any law, rule, or other regula-

tion to be under oath may be subscribed to by a written declaration in such form as the Commissioner may prescribe, such declaration to be in lieu of the oath otherwise required.

"(c) Whenever such written declaration is used, the document must warn the declarant that willful false statements and the like are subject to punishment including fine or imprisonment, or both.

3. Section 100 has added thereto the following language:

"(e) The term 'applicant' means any person who has filed an application for patent as provided in this title.

4. Section 105 is added as follows:

"SEC. 105. Computer programs not patentable.

"A plan of action or set of operating instructions, in whatever form presented, to cause a controllable data processor or computer to perform selected operations shall not be patentable.

5. Section 111 is deleted from the current Act and new Section 111 substituted as follows:

"SEC. 111. Application for patent

"(a) An application for patent may be filed by either the inventor or the owner of the invention sought to be patented. The application shall be made in writing to the Commissioner, shall be signed by the applicant and include the name of each person believed to have made an inventive contribution, and shall be accompanied by the prescribed fee. An application filed by a person not the inventor shall include, at the time of filing, a statement of the facts supporting the allegation of ownership of the invention.

"(b) A complete application for patent shall include:

"(1) a specification as prescribed by section 112 of this title;

"(2) a drawing as prescribed by section 113 of this title; and

"(3) if filed by the inventor, an oath prescribed by section 115(a) of this title.

6. Sections 115 and 116 have been deleted from the current Act and the following sections substituted:

"SEC. 115. Oath of applicant

"(a) The applicant for a patent, if he is the inventor, shall make oath that he believes himself to be the original inventor of the subject matter sought to be patented and shall state of what country he is a citizen.

"(b) The applicant for a patent, if he is not the inventor, shall prior to the grant of a patent:

"(1) file an oath by the inventor containing the averment prescribed in subsection (a) of this section and

"(2) record in the Patent Office an assignment, if ownership resulted from an assignment, or proof of ownership, in other cases.

"(c) The applicant who has filed an application for patent pursuant to section 117 of this title may make the oath required by subsection (b) of this section, so varied in form that it can be made by him.

"SEC. 116. Joint inventors

"(a) When two or more persons have made inventive contributions to subject matter claimed in an application, they shall apply for a patent jointly and each sign the application and make the required oath, or, if the application is filed by some other person having the right to do so, they shall be named as the inventors.

"(b) In an application for patent for a joint invention, it shall not be necessary for each person named as joint inventor to be a joint inventor of the invention asserted in each claim.

"(c) If a joint inventor refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Commissioner, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may publish the application and grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

7. Section 118 has been deleted from the current Act and the following substituted in its place:

"SEC. 118. Action when no oath or assignment can be obtained

"Whenever an application is filed by someone not the inventor and the inventor refuses to execute the oath required by section 115(b)(1) of this title or an assignment, or cannot be found or reached after diligent effort, the Commissioner may, on proof of the pertinent facts and a showing by the applicant that such action is

necessary to preserve the rights of the parties, and on compliance with such regulations as he prescribes, grant a patent in the name of the inventor.

8. The second paragraph of Section 119 has been deleted from the current Act and the following paragraph substituted in its place.

"(b) No application for patent shall be entitled to this right of priority unless the claim thereof and a certified copy of the original foreign application, specification and drawings upon which it is based are filed in the Patent Office within six months of the application filing date. Such certification shall be made by the Patent Office of the foreign country in which filed and show the date of the application and the filing of the specification and other papers. The Commissioner may require a translation of the papers filed if not in the English language and such other information as he deems necessary.

9. Section 121 has been deleted from the current Act and the following Section substituted in its place:

"SEC. 121. Divisional applications

"(a) If two or more independent and distinct inventions are claimed in one complete application, the Commissioner may require the application to be restricted to one of them. The Commissioner may by rule dispense with signing and execution in the case of an application directed solely to subject matter described and claimed in the original application.

"(b) The validity of a patent may not be questioned for failure of the Commissioner to require the application to be restricted under subsection (a) of this section, nor may the validity of either of two or more patents resulting from and in accordance with a requirement under said subsection (a) be questioned solely because of the existence of several patents, if the subsequent application is filed in accordance with the provisions of section 120 of this chapter.

10. Section 135 has added thereto the following paragrapn:

"(e) In making determinations of priority under this section and other sections of the Statute the parties shall be able to show any and all such dates for the respective acts but shall only be entitled to rely upon dates of conception and reduction to practice no earlier than two years prior to the date of filing the first filed parent application for patent in the United States Patent Office.

11. Section 141 has been cancelled from the Act and the following section substituted in its place:

"SEC. 141. Appeal to Court of Customs and Patent Appeals

"An applicant dissatisfied with the decision of the Board of Appeals may appeal to the United States Court of Customs and Patent Appeals. A party to an interference dissatisfied with the decision of the Board of Patent interferences on the question of priority may appeal to the United States Court of Customs and Patent Appeals.

12. Sections 145 and 146 have been cancelled from the current Act.

13. Section 152 has been deleted from the current Act and the following substituted in its place:

"SEC. 152. Issue of patent to assignee.

"Patents may be granted to the assignee of the inventor of record in the Patent Office, upon the application made by the inventor or assignee as otherwise provided by this title.

14. Section 154 has been deleted and the following substituted in its place:

"SEC. 154. Contents and terms of patent

"(a) Every patent shall contain a grant to the applicant, his heirs or assigns, of the right, during the term of the patent to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

"(b) The term of a patent shall expire twenty years from the date of filing the application in the United States or, if the benefit of the filing date in the United States of a prior application is claimed, from the earliest such prior date claimed. In determining the term of the patent, the date of filing any application in a foreign country which may be claimed by the applicant shall not be taken into consideration.

"(c) The term of a patent whose issuance has been delayed by reason of the application having been ordered kept secret under section 181 of this title shall be extended for a period equal to the delay in issuance of the patent after the notice of allowability referred to in Section 183 of this title.

15. The following paragraph was added to Section 184:

"(c) A retroactive license may be granted at any time notwithstanding the fact that a corresponding United States application has matured into a patent. Such

retroactive license shall have the same force and effect as if granted during the pendency of said application.

16. The third paragraph of Section 251 has been changed to read as follows:

"(c) The provisions of this title relating to applications for patent shall be applicable to applications for reissue of a patent.

17. Section 256 was deleted and the following substituted in its place:

"SEC. 256. Correction of named inventor

"Omission of an inventor's name or inclusion of the name of a person not an inventor, without deceptive intent shall not affect validity of a patent, and may be corrected at any time by the Commissioner in accordance with regulations established by him or upon order of a Federal Court before which the matter is called in question. Upon such correction the Commissioner shall issue a certificate accordingly.

18. The following was added to Section 271:

"(e) Whoever, without authority of the patentee, imports into the United States, for purposes of trade or use in trade or industry, a product made in another country by a process patented in the United States shall be liable as an infringer.

COMMENTARY

H.R. 7454 (S. 1691)

H.R. 7454 is designed to update the Patent Act of 1952, which effected major reforms to the Patent Laws which have served this country's needs exceptionally well. This bill takes into consideration the practical desires and interests of the individual inventor, the small corporate inventor and the profession, not to mention the large corporation and the public interest as well. H.R. 7454 effects changes to meet today's needs for the mutual benefit of all concerned.

The Patent System in this country has evolved over the years from decisions of the Federal Courts and proceedings in the Patent Office involving the Government, the public, the profession and the inventor. It therefore has undergone small, but evolutionary change at least since 1836. Those who are not concerned with the Patent System on a day-to-day basis might be inclined to think that little, if any, change has taken place since our Founding Fathers wrote into the Constitution of these United States a provision whereby Congress was charged with the responsibility of awarding a privilege to inventors in an effort to promote the progress of the useful arts. Such is not the case. One need only delve into the hearings and reports at the time the 1952 Act was being debated in the Congress to find the answer to this question.

Over the years the examination (Patent) system in this country has worked well. Economists who feel that invention and economic growth are "terra incognita" are coming to the increasing realization that the Patent System in this country plays a significant role in economic activity. The Patent System in this country must have accounted for some good, because the world faces a "technology gap" when it measures up to the United States. The Soviet certainly has caught up with the economics of a strong patent system as evidenced by its new domestic and *foreign* policy concerning patents and patent licensing.

The Patent System in this country is directly responsible for income from abroad well in excess of 600 *million* dollars a year. With a budget of about 35 million dollars for 1967, it would appear that the Patent System is more than self-sustaining. In addition, when one considers the investment of capital and employment of labor as a result of new inventions and the fact that close to 60% of the patents granted in this country are worked during the effective life of the patents, there is no doubt that it is *substantially* self-sustaining.

The Patent System in *this* country is somewhat unique as Patent Systems go because it is available on a practical basis to all segments of our economy, large and small, private and public. It also promotes early disclosure of the detailed technology encompassed within a formal patent application, because our system holds out to the *first inventor* the grant of a patent *after examination*, which patent, when granted, has a presumption of validity. There are no requirements for working the patent or paying maintenance fees to keep the patent in effect after grant. There are no long drawn-out and costly procedures during or after the grant of a patent, whereby the intended patentee can be worn away by opposition, public use and cancellation proceedings.

In addition, the secrecy of the patent application in the Patent Office before grant of the patent does *not* promote secrecy of the technology. The commitment as to the scope of the invention covered by the application is delayed and held

secret until such time as the Patent Office is willing to grant a patent after examination. At this point, the inventor and the public are given detailed information as to privileges granted to the inventor to preclude third parties from making, using and selling the patented invention. The availability of such protection after examination by the Patent Office, but without burdensome proceedings by third parties, perhaps with ulterior motives, is an incentive to invent in the first place and to publish information concerning such invention.

If a patent is granted in this country which is in fact invalid, the presumption of validity can be rebutted in the Courts by the competition, which is invariably skilled in the art. If the invention is trivial, its commercial success will be determined by the public in the market place.

The one year grace period, which is part of the 1952 Act, and which was at one time two years, allows the inventor to work the 'bugs' out of his invention, so to speak, and to seek capital for commercializing his invention, without fear that a disclosure to third parties could be used to his detriment. In addition, it also gives inventors with trivial inventions time to decide whether the effort to secure a patent is worth while.

The budget of the Patent Office has not been sufficient to cope with the increased business of the Patent Office nor with the more complex nature of the business it is called upon to oversee. Patent Examiners have been extremely hard to recruit and, once recruited, have been extremely hard to keep in the Patent Office. As an agency of the Department of Commerce, the Patent Office has in the past been crowded into small and smaller quarters within the Department of Commerce and, finally, its operation has been scattered all over the Washington, D.C. area. The grade structure in the Patent Office has not been effective in keeping or attracting Examiners, who must be willing to work within the confines of two disciplines, the social sciences and the physical sciences.

Beyond the Patent Office the 'snag' in litigation is cause for concern, even though it involves a very small number of the issued patents. Now there are in essence eleven potential decisions which the inventor and the profession must cope with; these correspond to the routes on appeal to the various Circuit Courts of Appeals and the Court of Customs and Patent Appeals. As such, the multitudinous appeal routes, can lead to unending litigation on the same patent or patents. In addition, with technology becoming more and more complex, the courts are faced with answering formidable questions as regards technological matters.

H.R. 7454 is an attempt to give the Patent Laws a needed 'face lifting'. It will not, however, result in more 'secret science', the bane of all progress in the useful arts. Instead, it will bring about ordered change in keeping with the social, technological and economic interests of this great country. In addition, H.R. 7454 sets forth some measured harmonization of the Patent Laws in this country with Patent Systems elsewhere abroad, without, however, instituting a weak or mediocre system. In addition, H.R. 7454 maintains Congressional control over the fees the public must pay to the Commissioner of Patents so that the Patent Office is answerable directly to those charged with the promotion of the useful arts.

As such, H.R. 7454 proposes a change in measuring the life of a patent so that it is measured from the date of filing the application (§ 154(b)). This is in line with the Patent Systems of most industrial nations around the world. This change will also help cut down on long pendency of applications as a result of delays occasioned by repeated filings of the same invention by the same inventor and by dilatory tactics by parties involved in interference proceedings in the Patent Office.

A proper safeguard to measuring the term of the patent from its filing date is provided for in § 154(c) so as to extend the time of any patent when its grant is delayed by reason of Governmental secrecy orders. In addition, while interference constitute about only one percent of the applications filed, § 135(e) should go a long way toward resolving interferences in the Patent Office by limiting the parties' dates of proofs. It also will encourage inventors to file early, not engage in repeated refilings and cut down appreciably on the work of the Patent Office in this area of its operation.

The proposals in § 111, 115 and 152, are also calculated to harmonize our Patent System with those abroad by allowing the inventor or *his assignee* to file applications. This is done with proper safeguards and credits to the individual inventor or inventors, as the case may be.

By reason of proposed Sections 141 and 142 of Title 35, decisions on appeals are consolidated and lie to one court. Decisions of the Court of Customs and Patent Appeals are directly reviewable by our highest court, the Supreme Court of the United States. This will result in the application of similar standards of patentability in the Patent Office and will allow appeals to a court which is better suited to delve into some of the complex technological questions which can arise in patent cases.

In addition to the above, H.R. 7454 follows the suggestions of the Presidential Commission by putting into the Patent Laws of this country an infringement provision which is in harmony with other Patent Systems around the world. This is contained in § 271(c) and concerns the importation of infringing goods made by a process patented in this country.

As regards a problem which has been plaguing the Paent Office as well as the courts and the inventors, H.R. 7454 suggests a practical revision to Section 184, viz., § 184(c), so as to allow for the grant of a retroactive license after grant of a patent, for purposes of foreign filing, etc.

H.R. 7454 possesses those provisions which have stood the test of time and added provisions which will upgrade the Patent System so that it can hopefully stand the test of time. The proposals are not solely based upon the objective of solving current and immediate problems of the Patent System and the Patent Office, but more importantly the proposed bill helps keep the Patent System in this country available to the largest segment of our population on a practical everyday basis. It is my hope that the Patent Office will make such changes in its rules so as to better serve the objectives of the Patent System in an age of exploding technology.

Conclusion

As the committee is no doubt aware, Congressman Robert N. Giaimo from Connecticut, introduced H.R. 7454. In the Senate, Senator Dodd introduced S. 1691, a counterpart to H.R. 7454, and Senator Ribicoff co-sponsored the latter bill.

Much has been written of late in connection with proposed patent legislation, but few short statements on the subject succinctly state the position and problems attendant patent legislation. Wih the Subcommitee's indulgence, I should like to quote from a letter dispatched by Congressman Giaimo to Robert W. Fulwider, Chairman of the American Bar Association, Section on Patents, Trademarks and Copyrights, on the occasion of the Section meeting in Washington, D.C., on April 27, 1967.

"I consider the business to be conducted by your Section of the American Bar Association to be most serious and I should like to make a few comments which I hope you will air with the members of the Section.

"To begin with, I should like to state that I feel that the current Patent Laws are a compromise between a pure registration patent system as exists in France, Italy and Belgium, for example, and a third party practice system which exists in such countries as Germany, The Netherlands and Sweden, by way of example. Accordingly, my bill is committed to a compromise system which employs examination rather than registration, but which does not contain third party practice. The bill that I have introduced, H.R. 7454, is an attempt to up-date the compromise patent system which exists in this country, to meet the needs of an age of exploding technology.

"The problem that I see with the patent system is the burgeoning task of classifying technical information and patents and accounting for speedy retrieval. This facet of the patent system has not changed in my opinion since 1836, although the Patent Laws have evolved over the years. Whether my bill, H.R. 7454, or the Administration bill, H.R. 5924, is adopted, the budget of the Patent Office must be substantially increased. In my opinion, under the present patent system, as up-dated by my bill, the budget of the Patent Office should be anywhere from 50 to 60 million dollars. Perhaps under the Administration bill this figure may be 70 to 80 million dollars. Certainly the complex procedures established by the Administration bill, viz., preliminary applications, third party practice, with (multitudinous) publication, are going to cause substantial increases in the operating expenses of the Patent Office.

"Therefore I should like to commend to your association a course of action which will support an increased budget for the Patent Office, regardless of the substantive patent law changes. In addition, I should like to commend to your association the backing of H.R. 7454, which is essentially a compromise in the final analysis."

In view of the foregoing, I urge the Congress to reject the Administration bill, H.R. 5924 (S. 1042) and to endorse and support the passing of H.R. 7454 (S. 1691). This is suggested because, in the final analysis, the Patent System in the United States under the 1952 Act has worked well. It is by no means a perfect system, but the system suggested by the Commission is much worse and will not serve the six appointed objectives set by the Commission.

In conclusion, I should like to draw the Congress' attention to an old saying which is most appropriate to the present situation involving patent legislation. It ends as follows, "If it works, don't fix it."

Mr. KASTENMEIER. You may proceed, Mr. DeLio, as you may wish.

Mr. DELIO. I would like to thank the committee for the privilege to speak, as I mentioned before, and thank my Congressman for graciously introducing me. I should point out that we in our firm do a great amount of solicitation work both domestic and foreign, and we represent a broad spectrum of clients ranging from the large corporations to the individual private and corporate inventors.

My prepared statement includes an analysis and commentary of the Presidential Commission's report and analysis and critique on the critical sections in H.R. 5924, and an analysis and comparison of Mr. Giaimo's bill H.R. 7454, all with the present law, and then some commentaries and conclusions relative thereto.

There is no question that the committee has heard a great deal of detailed testimony concerning the administration bill and the various innovations therein. In addition, you have heard a great deal on the Presidential Commission's report.

I should like to summarize briefly what I think are the problems and then go into some of the more significant changes suggested in the two bills before this committee.

Whether or not you pass the chairman's bill, Mr. Giaimo's bill, Mr. Pepper's bill, I think one thing that the Congress must realize is that the burgeoning task of information retrieval and classification is what is hurting the patent system in this country and around the world.

It requires a great deal of money to classify technical information which is really exploding. There is no question about it. This means that someone must look at a patent or a publication, decide what is contained within its four corners, and then put it in a pigeon hole so that you can retrieve it back when you want it. Very little has been done on information retrieval in this country. A great deal has been done in Russia. At least this is what the Patent Office tells us, and this is what our experts on international affairs tell us.

Apparently the Russians have seen the need for a very sophisticated system of information retrieval. This is the problem that is facing the patent system, and no matter how many substantive changes you make in the laws, you are not going to solve the problem unless you change to a really drastic system, the registration system, which exists in many foreign countries.

In that system the Patent Office does very little, but to act as a mail drop. You put in an application and define the metes and bounds of your invention and nobody says anything about it. You are granted a patent, and later on the attorneys and the courts and the prospective litigants determine the metes and bounds.

It is a very, very sophisticated system and it works well, and in my own opinion—and I do a lot of foreign work—I would much rather see a registration system than the administration bill.

How come? Well, I think that you are not going to solve anything with the administration bill. You are going to open up more doors with skeletons in the closet than you are going to close. You seem to always get back to the same thing. It is the budget in the Patent Office, the grade structure, the 20 percent to 25 percent turnover in examiners that is a problem.

It takes 1 to 3 years to train these people, and you must realize that 75 percent of the staff turns over every 3 years. This is something that I think the Patent Office is well aware of, but has made very little progress in solving the problem. Unless you do this first, you can (1) change all you want, (2) keep our present system, and (3) even under our present system without changing the law, we are going to need a substantially increased budget, upward of $50 million. The budget of the Patent Office last year, or this year, and I am not sure what year, 1967 or 1968, is only around $36 million. It recovers something like 55 percent or 60 percent, so that it is not costing us that much money.

These are the figures from the Patent Office. The patent system brings in an income of upwards of $600 million a year by the licensing of inventions abroad, so that I think the system has worked well. I think that we would fly in the face of the facts if we didn't realize this. So where do we go from here?

I think that what we should do is to just follow the theme which Mr. Giaimo has brought home to me, and has made me realize, that our present system of patent laws is a compromise patent system to begin with. What do you mean by that? Well, it lies between the third party practice system which exists in Germany, Great Britain and the Netherlands on the one hand, and which is set forth in the administration bill, and a registration system on the other hand, which exists in countries like Italy, Belgium, and France.

The patent system, with due respect to the gentleman who previously spoke on this subject, has changed and evolved over the years. There is no question about this. In 1952 we had a drastic change in our laws. I think that there was a great deal of effort and the Congressmen and Senators and staff people who worked on those revisions in 1952 I think would be a little "miffed" if we said that they didn't do very much because they did do quite a bit.

What has not changed is the manner of filing the patents, of classifying them and of retrieving them; that is, basically, the old flat filing in shoe form. I think that this is where we have some problems. This is the thing that we ought to address ourselves to. But the laws have evolved. The law of contributory infringement, for instance, in the 1952 act, comes as a result of judicial decisions of the Supreme Court and the various circuits over the years starting perhaps with the decisions of Justice Taft at the turn of the century.

There are many other innovations. Our system is one which basically grants a patent to the first-to-invent, and we have a so-called interference kind of proceeding in the Patent Office. I think that a great deal has been said about this subject matter. I don't want to belabor the point, but I can't quite see why the Patent Office is so much up in arms over the interference practice. It involves less than 1 percent of the applications, by the Patent Office's own figures.

By recent rule changes a substantial number of these interferences are settled during the initial periods of skirmishing, much like the pleading part of the trial. But the interference system sort of keeps everybody honest. It gives a little guy a little bit of a chance against the giant corporations which seem to be growing in number in this country. I think that for this reason it shouldn't be abolished in a sort of offhand manner.

Our grace period helps the little fellow, too. He gets a chance to work things out so that he puts in a strong patent in the first instance so that his document is not vulnerable. The suggestion that we allow him to put in a hodgepodge of preliminary applications which later on are put together in some conglomerate form I think is not an effective solution for the little fellow, or the small corporate people. It is the large corporations with their large staffs that can afford the multitudinous filings of preliminary applications with their attendant cost, and the little man can't afford this.

In addition, I think that as we look at this system, it has worked well, and it has helped companies like the Xeroxes and Polaroids of tomorrow. It has helped them today.

I don't think that you would have a proper climate for the investment of capital and employment of labor by Dr. Land of Polaroid, or Mr. Carlson of Xerox without the patent system that exists in this country. This is where there is an examination, but not a tearing away of the small building blocks of a young company by some giants who would come in in the third party practice system and oppose and cancel and public use them to death.

I think that these are the serious problems that exist in the administration bill. They are going to cause a further concentration of economic power in my opinion, and neither the administration bill nor the suggestions of the Presidential Commission, as to their more significant suggestions, are going to meet the objectives set out in the Presidential Commission's report, those six objectives.

On the contrary, I think that at least five of them will not be met. It will be the other way. When you have cancellation, when you have third party practice by way of citation of art or public use proceedings, you create more uncertainty. There is always a great uncertainty as to when you have come to the end of the line as far as your deserving a patent.

In addition to that, the preliminary application is a real serious problem. We do a lot of work in our office from Great Britain where we receive preliminary applications because that is where the preliminary application is used to great measure, in the British practice.

Gentlemen, in the arts that are important, the electronic arts, the computer arts, the pharmaceutical and chemical arts which are big industries in this country, the preliminary application is going to cause more problems than it solves. It is very difficult to deal with a patent system that has the preliminary application.

I would just like to mention that the most obnoxious features in my opinion in the administration bill and in the Presidential Commission Report have to do with first-to-file, elimination of the grace period, foreign use.

Now, foreign use is another one of these things that is a double-edged sword. Here again you have another ground for creating uncertainty in connection with the grant of a patent.

Mr. POFF. It is not just foreign use. It is foreign knowledge.

Mr. DELIO. Foreign use, knowledge, sale, yes, Mr. Poff; that is correct. I sort of capsulized that comment. All of these things create greater uncertainty.

Now, it is true that in a particular instance they might result in a stronger patent, but it might take so long and so much money to do so in the first instance, that you might not launch the affair in the Patent Office to begin with. This is what I think we have to be careful of in connection with the administration bill. It seems to me that it smacks of the old German system of secret science. We have a great deal of this creeping in as it is, in this country, what with the somewhat antipatent policy of the Federal courts. To add to it a really burdensome patent system as appears in Germany, or in the Netherlands, I think might be very detrimental to our whole community.

Foreign use, sale, knowledge, just really opens up another Pandora's box for invalidating a patent, and anytime anyone had a patent in this country, they wouldn't know whether they should go forward and invest capital and employ labor, and really be concerned with the investment of capital and employment of labor in this country.

Harmonization is a wonderful thing, but I think that in the final analysis, regardless of what the laws are abroad, the investment of capital and employment of labor and the strong patent system of this country should be our concern. Harmonization for harmonization's sake I think is really not proper, and I think like Hamlet said, "that way madness lies."

I think that you can just go down a path in this harmonization procedure which will get you into difficult problems.

Continuing on in connection with the obnoxious features of the administration bill and of the Presidential Commission's report, the preliminary application is certainly a problem, and I think this is one that has been grafted on so that this is sort of like a house that Jack built. You go to first-to-file and this creates a whole series of pyramiding problems, and then you plug in some stopgap measures to help you out with the basic concept which is wrong. So you put in the preliminary application.

When you put in the preliminary application, because there can be some argument as to the breadth of the final document, you are going to have to give people a chance to oppose it, to bring public use proceedings and to cancel the patent, and you seem to move on with this inertia.

All this builds up is a lot of fees, as Congressman Giaimo intimated, for the patent attorneys. I don't think there is any question—if you ask any patent attorney—that the administration bill is a money tree for the lawyers.

I think also and more importantly it is going to make the task in the Patent Office one heck of a job, if you will pardon the expression, and I think you are going to have a greater budget, you are going to need a much greater budget to handle the same kind of traffic.

I would estimate that under the administration bill you are talking of something like $75 to $80 million assuming our current filing rates, et cetera. I think that the Congress has to spend a little time on that one.

I think this is somewhat intimated in this bill because you do have a section called section 41. Section 41 has an open-end fee schedule. The fees were recently set in 1965 when this committee had before it some bills and maintenance fees were discussed and were struck down by the House and Senate as not being proper. This is one thing that we didn't want in our law.

Now we have section 41, and section 41 will allow you to put in maintenance fees, and maintenance fees and the high fees that are envisaged by this section 41 are going to be the demise of the individual inventor. There is no question about it. I think that you are going to snuff out the Polaroids and Xeroxes of tomorrow, aborning. There is no question.

I think that, to use an expression which I heard at the time, the administration bill is a fat cat's bill, and I think that there is no question that this is the way most people who represent the small corporate individual inventors are envisaging this particular bill.

Now, the publication of applications is not a particularly bad suggestion. The only thing is that it ought to be published after allowance only.

If you are not going to give the man anything in the first instance, why should you tip his hand as to what he is seeking in the way of protection?

So I would say here publication seems to be okay, but only after allowance.

Deferred examination which is suggested on the standby basis is not really working in the Netherlands, and I don't see any reason why we should adopt it here. That is the country that has deferred examination. Deferred examination does one thing, though, when the law goes into effect (with deferred examination) the Patent Office backlog becomes zero, so that technically there is no backlog.

I don't think that we ought to be fooled into thinking there is no backlog when there is somewhat of a backlog, and then the backlog itself, the backlog in any examination system is going to be at least 2 years. This is according to Commissioner Brenner. In April of 1965 he was asked this question at a conference here in Washington, and he said:

> You have to realize that the attorneys can't wait breathlessly for the action of the Patent Office and the Patent Office examiner can't wait breathlessly for the attorney to reply.
>
> We can handle the business on an economical basis with an examination system, but we envisage that you would have to have built into it a two-year backlog.

I would say if the backlog is 3 years right now, you must deduct 2 years, and you have a year backlog, and this is what the Congress ought to be worried about, the net backlog, and not the overall backlog because if you are really worried about backlog in its entirety, then the only solution is to go to the registration system, and this is an alternative. It is drastic, but in my opinion I would rather have a registration system than I would the administration bill.

Mr. POFF. How are priorities determined under a registration system?

Mr. DELIO. It could be set up either way. It would be mostly first-to-file, because you would have no inter-parties proceedings in the Patent Office. The Patent Office merely becomes a mail drop. I would

say it would have to be on the first-to-file basis.

I think I have pretty much capsulized the things that I find wrong with the suggestions. I think many of the suggestions, for instance the cancellation proceedings, the ex parte citation, these are all old suggestions. They have been kicking around for years and were around at the time the 1952 Patent Act was enacted.

Some of the other things in the bill which seem to be bad for the small corporate inventor are the circuitous route of appeals suggested by the administration bill from the CCPA to the Court of Appeals of the District of Columbia to the Supreme Court. I think that is a regression in thinking. I think we had something like that around the forties or somewhere thereabouts.

Now, the reissue of broadened claims I think is something that is important in the context of the kind of system we have in this country. Our patent system is what we call a peripheral claim drafting system. You put the metes and bounds around what you think the invention is. Abroad it is much different.

In many of the systems abroad it is a central claim drafting system; so that if you make some mistakes in the foreign systems in your claiming, it is not too drastic. The courts are liberal in their interpretation.

In this country it is very different if you make a mistake. I think that I need only cite one recent example and that is the oxygen process of steelmaking where the claims were not drafted that well in the light of hindsight, and everything was lost in the patent.

So I think the reissue should stay in the law. I think that that has been carefully considered by many, many people, and I think it would not be wise to take the broadening reissue out.

In rem invalidity I think is fine. I think it's a step in the right direction. However, I should like to know the answer to a question, and that is if a patent is declared valid four or five times and then is declared invalid, what do we do then? And if we are going to talk about in rem invalidity, why aren't we talking about in rem validity? This is another corollary. These are merely questions.

I don't think the Patent Office need be self-sustaining. I think the patent system is self-sustaining. A $600 million return for a $20 million investment, I would like to recommend that to my clients every day of the week.

As to the certificate of inventorship, I think the question of the harmonizing and allowing this certificate of inventorship concession should be looked at very carefully by Congress. I don't know all the intricacies of the Russian patent laws, but I do know they have a very ambivalent system of granting patents. They grant patents and certificates of inventorship, and I think if you wanted to receive the benefits of a Western-oriented patent, you would have to have the grant of both documents to come up with something that is a quid pro quo. I would say this: That my statement has the comparison of the various obnoxious sections in the administration bill.

The Giaimo bill is an attempt to upgrade the current patent system which has worked well. It adopts some 10 suggestions by the Presidential Commission and liberalizes on who can file, correction of inventorship, simplifying the interference procedure. Section 135(e) in the Giaimo bill is an attempt to do this, still maintaining a first-to-invent system.

There are other suggestions in the Giaimo bill which I think help to update our present system, and I think go a long way toward making the patent system available to every segment of our economy not just the people who have the ability to pay.

I would like to end by saying that there is an old saying that you find in many of the job shops up in New England and you find it usually over the door as you come in, and it ends by saying, "If it works, don't fix it."

Thank you, gentlemen.

Mr. KASTENMEIER. Mr. DeLio, you said you took issue with the preceding witness on his statement that there have been no changes, and you referred to the 1952 changes. I think we will have to assume that he was familiar with those changes because he was in the other body at that time and was a member of the committee. His statement was not that there had been no changes. He referred to the fact, and I quote him, that they have not undergone "fundamental changes" in his estimation.

Mr. DELIO. Oh, I see.

Mr. KASTENMEIER. Does the bill that you are supporting contain the registration system that you referred to?

Mr. DELIO. No, it does not. It maintains our compromise patent system that we have in this country right now.

Mr. KASTENMEIER. But you suggest that a registration system is an alternative which we might consider.

Mr. DELIO. Only, in other words, if I had to pick between the administration bill and a registration bill, I would take a registration system in preference to the administration bill. I prefer the bill of Mr. Giaimo. I think that this is about the change that we should undergo, and I suggested, since our system has worked so well, that I think we ought to urge our foreign colleagues to do some reverse harmonization.

Mr. KASTENMEIER. In other words, they are all out of step but us because actually——

Dr. DELIO. Yes, our system has worked. Theirs hasn't.

Mr. KASTENMEIER. There are only ourselves, the Philippines, and Canada?

Mr. DELIO. Yes. Our system has worked. Theirs has not. That is the difference.

Mr. GIAIMO. May I add one thing there, if I may, Mr. Chairman?

Let's bear in mind that our system has worked for a nation of almost 200 million people, and it has worked pretty well over the years in the greatest industrial nation and inventing nation of the world. In many of these other nations the impression I get is that we are dealing with a much smaller productive capacity, dealing with a much smaller inventive capacity and a much smaller nation in itself if you look just at the population of some of these nations, so that comparability is a very dangerous area here.

Mr. DELIO. And there are great concentrations of economic power in these other countries; for instance, Germany. Anyone that is familiar with the foreign situation knows that in certain areas you can expect opposition from Badische Analin and Peltzer and Ehlers, et cetera.

In the Netherlands you can automatically figure on opposition from North American Phillips. I think this is important. I think their system hasn't worked well. There isn't that much free enterprise. I think one of the reasons why, is that some of their patent systems haven't been suited for the small corporate and individual inventors.

Mr. KASTENMEIER. Under a registration system there would be no examining by patent examiners, would there?

Mr. DELIO. No, sir. That is what exists in Italy and France and Belgium. You just file and they merely sort of edit your English.

Mr. KASTENMEIER. As the Copyright Office does in accepting and registering?

Mr. DELIO. That is right, and you then fight it out in the courts. Actually, surprisingly, there is a lot less litigation there than one would expect because invariably the attorneys for each side must get together to decide on the true breadth of the invention, regardless of what the Patent Office granted, and they get together most of the time, and there is a lot less litigation than one would expect.

Mr. KASTENMEIER. I take it your position on a universal patent system would be that this is not entitled to the highest priority. In fact, you wouldn't necessarily look to a universal system ultimately if our own system were working?

Mr. DELIO. We do a lot of foreign work in our office, and I make trips abroad almost every year, and I discuss it with my colleagues abroad. A universal patent system is a wonderful thing, but it is sort of like a pot at the end of the rainbow. I would like to have it, too. It becomes difficult.

You talk to these people and talk about harmonization. Everybody says, "I would like to have the system if it is like mine." When you get down to the real workings of it, it is like this for instance, "Well, the United States would have to pay more for its operation because you are filing more," and so on.

It is sort of like the Pan American Union on Trademarks. It failed because the cost analysis and breakdown and allotment didn't seem right and it seemed like the United States was picking up, or the major industrial nations were picking up the "tab," so to speak, or a disproportionate amount of the cost.

Then another thing is you have to look at the country. India does not need a patent system like we have. It may not be desirable because of its political and economic philosophies. Certainly Italy hasn't seen fit to grant any protection in the drug field, and this may be the best thing for the Italians. I know it's not the best thing for the people here in the United States or in Germany or the major industrial countries where they are making the innovations in these fields. They feel that they (the Italians) are just carpetbaggers. They come and take things after people have engineered and researched them and everything else, and as a result it is a double-edged sword.

You have a lot of small (drug) houses in Italy. There is no real research and development coming forth from that country in the drug area. They have fallen way behind. I think this is one of the things for which I am glad that we have this example around, because I think it points up that the patent system does work to give you the stimulus to move forward and innovate.

The patent system in this country should be viewed as one that produces progressive competition. One patent alone is not going to help you. You have to build on it, and you have to sort of try to keep one step ahead of the other side and if someone comes up with something that is patentable and it has a big market, your competitors are going to design around, or invent around it, if they can, and this is this wonderful progressive competition that our system has produced.

This is one place where I would like to see, if we harmonize, a system like we have in the United States. But I think we can harmonize on information retrieval and classification. That is something that I think should be worked out.

You could have an office in the Hague or in Washington, but this is a tremendous task. I don't know if the people at IBM have been able to figure out if it can be done as yet, but certainly unless the money is there in the Patent Office to begin some of this complex classification and information retrieval, we are going to have some serious problems. That is another thing with this foreign use, sale, and knowledge, and so on, that creates a real problem, and that is, how are you going to classify uses and sales and things like that?

You get to looking at this thing in the broad view, and you see that this harmonization is like "somewhere over the rainbow."

Mr. KASTENMEIER. Mr. Edwards.

Mr. EDWARDS. Thank you, Mr. Chairman.

We are certainly indebted to have our distinguished colleague from Connecticut, Mr. Giaimo, here today with an expert like Mr. DeLio. It is very helpful to have someone like Mr. DeLio who has had experience in both systems, the first-to-file and the first-to-invent. I am sure that I am expressing the general consensus of this subcommittee that we would not report any bill that we thought might work to the disadvantage of the small inventor and any bill that I would be in favor of would, on the contrary, be drafted to encourage the ingenuity and independence of the private inventor, the small guy, as opposed to large corporate entities.

I will point out that we had no testimony that the backlog is a substantive problem. Would you disagree with that, Mr. DeLio?

Mr. DELIO. I don't quite get the question.

Mr. EDWARDS. We have had no testimony to the effect that the backlog, although its existence is admitted, is a substantive problem, a problem that causes difficulty to inventors and their lawyers. Does the backlog cause you in your business as a patent lawyer substantial problems?

Mr. DELIO. No, it doesn't, because I think that the Patent Office has changed its procedures, and if you want to take out your patent and move quickly, the Patent Office will accommodate you in this regard.

Mr. EDWARDS. Why do you think, Mr. DeLio, that the first-to-file system would actually work to the disadvantage of the small independent inventor?

Mr. DELIO. Because of the way in which he conducts his whole affair in this matter. He devises something. He works with it. He tries to get it down to a working level so that he is justified in investing his money, taking a mortgage on his house or what-have-you, forming a small corporation, getting his friends to invest and so on. Usually he comes in to the patent attorney at the 11th hour. Sometimes it is the 25th hour.

The first-to-file doesn't favor him at all. One thing about what we have, the grace period and the first-to-invent with documentation, is that he can work his invention out, he can be assured that he is spending money properly in seeking the patent, and so on and so forth. You take that away, and I think you are going to get a lot of rushed filings by the people who can least afford them. They don't like to go in and file a series of applications.

A large corporation says, "Well, it's not too good, do it over and refile. File another preliminary." They can do this ad infinitum. They have the staff people. I think the first-to-file is just going to eliminate the small corporate inventor and the individual inventor from the scene, and I think they are necessary.

If you see the major inventions taking place in this country today, all of these giant corporations with their research teams (they) bring in these individuals to solve problems. A lot of individuals working by themselves are able to see the forest for the trees, whereas some research teams have not been able to sort out the same problem.

I admit that there are some people who feel that the individual inventor is not making his contribution or that it is not worthwhile preserving his stakes in this thing. I disagree with that 100 percent from my own basic experiences.

Mr. EDWARDS. Would you briefly explain what you mean by the antipatent policy of the Federal courts?

Mr. DELIO. Well, I think that one need only look at the situation from a statistical standpoint. The Supreme Court, since about 1930 has declared very few patents valid and infringed. The percentages in the courts, the raw percentages of holdings of validity and infringement are running between 20 and 30 percent. It might be 28 percent. I haven't looked at the statistics in the last couple of years.

Before you get to the patent office, a lot goes on. Things are boiled down by the inventor. He casts things out, maybe 50 percent of them. His patent attorney boils them down maybe another 50 percent. The Patent Office boils them down another 50 percent, and you have this continual chopping. Only those cases get into court where there is a gray area so they are the controversial ones.

On a strong patent the people pay license fees. It the patent is obviously invalid, the man has wallpaper. So when you get into the courts, I think the percentages, since we have an examination system, ought to be a little better than they are. They ought to be pretty close to 50–50 from a statistical standpoint.

Instead we have a situation where it is relatively minuscule so far as the holdings in the Supreme Court, and I believe also in the third circuit, and in this area of litigation people shop for forums. Judge Holtzoff has mentioned that. People shop for forums, where to sue and be sued, and they will usually base it upon certain decisions of the Supreme Court.

Mr. EDWARDS. What you are saying is that a patent is not very much good in this country?

Mr. DELIO. Let's say that the patents that are marginal or in the gray area where there is controversy may not be too good. You have to remember that there are an awful lot of patents, close to 60 percent of of the patents are utilized during their lifetime. These figures come

from the George Washington University Patent, Trademark, and Copyright Foundation.

There are a lot of patents that are used and people pay licensing fees on them. So then you have those where you may have an overzealous plaintiff or an overzealous defendant, there is some controversy. It would seem though that in this sort of gray area that the percentages ought to be a little better. This is so when I read the decisions of the court in connection with this particular area.

Mr. EDWARDS. Thank you very much.

Mr. KASTENMEIER. Mr. Poff?

Mr. POFF. Thank you.

I must say that I think you made a real contribution to our consideration, and I am grateful to you and our colleague, Mr. Giaimo.

Pursuing the line which my distinguished colleague opened, I suppose it is possible that the court can in a given case find validity and at the same time no infringement as a factual matter?

Mr. DELIO. This is correct.

Mr. POFF. Does that have any bearing upon the statistics you cited?

Mr. DELIO. Yes, I talked about a situation where you had validity and infringement, the cases where there was clearcut holding for the patentee.

Mr. POFF. Yes, sir.

Another line of questioning opened by Mr. Edwards is this: I understood you to say earlier in your testimony that you felt that the abolition of the interference system would tend to prejudice the little inventor. Would you care to expand on that thought?

Mr. DELIO. Yes. The thing is, what do you do in the place of the interference practice. You resort to first-to-file. Or in the alternative, and I think that this may be some of the suggestions that might come forward for amending the administration bill, having some kind of system with personal rights. Then you are right back into the old problem again of deciding the interference question, but instead of doing it before an administrative agency, you are doing it in the courts. Where do you want your backlog?

This is another thing. I mean when you start going down this path, if you are going to have anything but first-to-file (whoever gets there first), then the consideration of who invented first must be determined, and if it is not done in the Patent Office, it has to be done in the courts. I would say that the courts are going to be a little hard-pressed in that area. I would think that I would rather have the Patent Office make that determination with all due respect to the courts. You need some technical background in connection with determinations of the scope of the claims and so on.

In fact, I would like to see a little more liberalization in our claim interpretation. I think that we could be less pedantic about the pursuit of precise language in the Patent Office if there was a greater liberalization in the interpretation of claims by the courts. Which comes first? It is difficult. But I think that this is one of the problems that you have in the examination system in the Patent Office. It is argued many times.

The question sometimes comes down to how many angels can stand on the end of a pin, and this becomes a real problem. Certainly in the chemical area it is almost unbelievable, and I think that to have the courts determine the basic question of inventorship rather than the

Patent Office would be a mistake and throw a great burden on the court system.

Mr. POFF. You speak of the chemical industry and you include the pharmaceutical?

Mr. DELIO. Yes, that whole area of pharmaceuticals and chemistry because of the nature of the situation. When you realize that you may have a particular compound and that it might have 10, 20, or 30 homologues, related substances, you see the problem. If Mr. A comes up with homologue A and you come up with homologue B, and someone comes up with homologue C, who is entitled to the broad invention? I would say that it is difficult, but the system has been fair today and it has been fair to the little fellow as well as the large corporate entities.

Mr. POFF. With respect to the pharmaceutical industry, if you introduced a new element of a deferred examination, I am wondering how one competitor would keep track of progress by his other competitor and what he might have to do in requiring examination of competitors' filings in order to justify the investment necessary to perfect his own idea.

Mr. DELIO. This is true. I think what you are going to have with the administration bill is a longer pendency time. Keeping the present examiners, let's say the present corps of examiners, and the same amount of traffic through the office, when you put these procedures in, your backlog is going to go up and it's going to take longer to get a patent.

Mr. POFF. To put in fair perspective, the deferred examination proposal is one which might or might not be implemented at the discretion of the Patent Office and then originally perhaps on a trial basis and confined to a particular category the administration bill does not require the instant implementation of deferred examination?

Mr. DELIO. No, but I think that the subject should be broached headon. I think the Congress should decide whether they want deferred examination and not the Patent Office. I think this is such a serious innovation and tinkering with our own system that I think that the Congress ought to decide whether it should be in or out. This sort of half-limbo treatment of deferred examination I think is something that I am against. I think that the Congress ought to decide that.

Mr. POFF. You also spoke of the relative burdens on the small inventor and the corporate inventor with reference to the multitudinous filings of preliminary applications. How much do you assume the fee for the filing of the preliminary application would be?

Mr. DELIO. I would say this: We have discussed this in our office. We have been through it. When we file the preliminary application, the way this law is written (and it can't be written in any other way) you are going to have to spend the same amount of money. Just leave out the claims, and the numbered paragraphs at the end. It (preliminary application) is going to have to be drafted with as much care as any other application, and there is no question that this is something that the British practice has taught us in our office. The preliminary application in Great Britain has to be drawn with as much care as the complete application. The complete application may have much more information in it as you develop your invention and have more data, but it must be drawn with the same expertise.

If the so-called paper bag kind of disclosure in the preliminary application is used, the man might as well take it and not file anything. You know in drafting a preliminary application the practitioner is trying to get across a particular invention in a particular context. Without claims, if you read these descriptions, it becomes very difficult to sort of jell your thinking, so that I think if you had to do the document and prepare it, you would prepare the document with claims and, since you had the privilege of not having to commit yourself as to your breadth, you would leave them (claims) out, but you would have to have something definite in mind as to the numbered paragraphs that you are ultimately shooting for. So that the preliminary application doesn't buy you very much.

You say, "You can put in preliminary applications under first to file." I am worried about rushing in with five documents.

General Motors can do this. I hate to mention names, but I mean the giant corporations can do these things. They have staffs of attorneys. But the individual inventor can't fool with these preliminary applications. If you are going to file three preliminary applications, you are charging him three times what it would cost him to file only once under the present system.

Mr. POFF. In questioning previous witnesses, I have inquired about the meaning of the language in section 120(a) (2) and your testimony just now seems to bear out my interpretation of that language; namely, that the inventor in order to get the advantage of the early date would have to file his preliminary application with the same particularity as he would later file his claim for complete application and that failure to do so would cause him to lose the early date.

Mr. DELIO. That is correct. I agree with that 100 percent.

Mr. POFF. I make the qualification that there would probably be more information and data included in the complete application, but the disclosure of every feature of the invention would have to be as complete in the preliminary application with respect to every claim as the complete application.

Mr. DELIO. This is correct. This is what that language states, 120(a) (2), there is no question about that, and I think you have to assume that. You can't avoid it because then you would have a real problem in figuring out the metes and bounds of the finished document and this is the problem with the British practice which employs the preliminary application. What are you entitled to as far as the invention as of what date? There is another thing with this series of preliminary applications and this is cognating it into one complete application. That is going to open up great uncertainty in the area of what the patent covers and it will be a field day for the lawyers as to what is and what is not properly claimed, disclosed, et cetera.

Mr. POFF. Am I correct in my understanding that a preliminary application might be filed today and a second preliminary application on the same invention with some refinement might be filed next week?

Mr. DELIO. That is correct; yes, sir.

Mr. POFF. This might go on interminably until the filing of the complete application?

Mr. DELIO. This is correct, sir.

Then the examination of that final document with the claims in it is going to take an awfully long time by the Patent Office. Do

you realize the examiner is going to have to look at each preliminary, look at the final document and be assured that there were no deviations. Even with first-to-file you may file today a preliminary application and in 6 months your fifth preliminary application, and if someone files in between something which is more or less close to your fourth one, you are not going to avoid the problem of making the decision as to who was entitled to the invention. You have eliminated the interference proceeding per se, but not the problems. You are running into the same thing all over again. You can't seem to avoid it.

Mr. KASTENMEIER. If the gentleman will yield, of course the same thing may be true under the first-to-invent system. You may have a refinement from the point of first invention to your application. You probably in some cases would have the same type of difficulty, if there be one.

Mr. DELIO. Except that each application under the present system has to stand on its own four feet. You can refer back to a previously filed application, but you don't get any benefit of the previous date unless it is disclosed there. I think with the 20-year change which is in the Giaimo bill also, the 20-year term running from the date of filing, you are going to cut out the bad practice of the filing of multitudinous continuations in part which I think most practitioners don't resort to.

Every time you file a continuation in part you are admitting that the previous document wasn't sufficient in and of itself so that there is a limit under the present laws of filing a continuation in part. Every time you file a reissue application, this is an estoppel on the record that your first document wasn't too good, and this is important, too. You have to note these considerations. You just don't willynilly file continuation in part applications and reissues without giving serious consideration to the Pandora's box that is opened. I would say that this is an important consideration.

Mr. POFF. You seem to imply, if you did not say directly, that probably the major problem that the patent system in this country has today could be solved by a mechanical or electronic device: namely, the installation of an information retrieval system. I am interested in that idea, and I wondered if you could explain what might be involved there in the way of difficulty and expense?

Mr. DELIO. I don't know if this can be done. If it can't be done, there is no substitute for examiners and the continuation of some classification system akin to the one that is being used now. The real problem that you have with this classification of patents is that you look at a patent and it might have four or five inventive ideas. You know computers are wonderful, but they are only as good as the people who program them. It is here that the ideas are going to have to develop. It is going to have to be done here in classification anyway.

I think the steroids are very well classified in the Patent Office today, but they are going to have to get down and spend the time and it means manpower (first) to set up a system of classification and a system of retrieval. Then if the hardware is available—and this I don't know; people from IBM and other companies of that nature can tell you whether the hardware is available—you can carry this information retrieval and classification out on a mechanized basis. I think

(now) in the Patent Office very little is being done by the Classification Division. They have pulled examiners out of the Classification Division or they are not performing their tasks of classification as they did in the past. This is the problem. They are getting worse in the Patent Office on classification and information retrieval and will continue to get worse unless there is more money put in.

Mr. KASTENMEIER. If the gentleman will yield, is it not true that Congress appropriated money to the Patent Office a few years ago to go into this automation and classification system. I don't know what the present status is, but it is obviously not a new idea because the Patent Office has been continually concerned in recent years with these problems. You do concede that?

Mr. DELIO. Yes, but I don't have the exact figures, but I don't think that budget was realistic to really get into the problem. I think they are more concerned with keeping up the cost of living increases for examiners, trying to put on more examiners, and this is a problem, too, with the examiners. I think the grade structure needs overhauling in the Patent Office in order to attract and keep the people. Something has to be done. I think this is where the problems lie. A 20 or 25 percent turnover in examiners is something that is very difficult to live with, and I think our Patent Office is one of the highest, if not the highest, in the world in turnover of examiners. We have of course great mobility in our population; so that it is not fair to blame it on the Patent Office itself, but I think we have to face the problem that it is going to take more dollars to do the job in the Patent Office under an examination system or an examination plus third party system as envisaged by the administration bill. If the Congress feels that this is not worth spending, and you gentlemen know this better than anybody else (spending the needed money), then I say that as an alternative you must consider the registration system, that is, as an alternative only.

Mr. POFF. I have a good many more questions, but I feel I have taken too long. I yield to my colleague.

Mr. KASTENMEIER. The gentleman from Michigan.

Mr. HUTCHINSON. I have no questions.

Mr. KASTENMEIER. The gentleman from Delaware.

Mr. ROTH. I have no questions. You may continue if you want.

Mr. POFF. No, thank you. I am not often given this opportunity and I don't want to abuse it. I believe I have forgotten what I wanted to ask you now, so that I will not be able to do it after all.

Mr. KASTENMEIER. We do thank you, Mr. DeLio, and our colleague Mr. Giaimo, for appearing here this morning and giving us the benefit of your views.

Mr. GIAIMO. I want to thank you, Mr. Chairman and members of the committee, for the reception you have given Mr. DeLio and the length of time that you have allowed him. I appreciate it.

Mr. DELIO. I am much obliged, Mr. Chairman and members of the committee.

Mr. KASTENMEIER. The Chair would like to announce that next week, on June 8, a week from today, at 10 o'clock, in this room, we will hear from Mr. Frank Pugsley, president of the American Patent Law Association. Until that time this subcommittee stands adjourned.

(Whereupon, at 11:30 a.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, June 8, 1967.)

GENERAL REVISION OF THE PATENT LAWS

THURSDAY, JUNE 8, 1967

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE NO. 3 OF THE
COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to recess, in room 2226, Rayburn House Office Building, Hon. Robert W. Kastenmeier (acting chairman) presiding.

Present: Representatives Kastenmeier, Edwards, Poff, Hutchinson, and Roth.

Also present: Herbert Fuchs, counsel, and Franklin G. Polk, associate counsel.

Mr. KASTENMEIER. The subcommittee will come to order for the further consideration of H.R. 5924, the Patent Reform Act of 1967, and other bills on the same subject.

Before hearing from our distinguished witness this morning, the Chair wishes to take note of the joint release made last Thursday, June 1, by officials of the Commerce and State Departments concerning a proposed Patent Cooperation Treaty to be negotiated by the United States and 76 other members of the Paris Convention for the Protection of Intellectual Property.

The principal feature of the proposed treaty would be the single basic filing and processing of an international patent application which would provide the basis for the issuance of patents in any of the member countries.

The adoption of the treaty is expected to eliminate multiple filing of patent applications on the same invention and to establish a uniform application format, provide a single worldwide novelty search, and permit a single examination.

Meetings of experts from member countries are to be held in Geneva probably in October of this year to prepare recommendations to the Executive Committee of the Paris Union which will meet in December.

Obviously, provisions of the Patent Reform Act, notably the first-to-file provision, relate directly to the proposed treaty.

In order that our hearings shall be complete, and without objection, counsel is directed to place in the record the following documents:. First, the release by the officials of the Commerce and State Departments dated June 1, 1967; second, remarks of Dr. J. Herbert Hollomon, Acting Under Secretary of Commerce in connection with the release of the proposed International Patent Cooperation Treaty; third, remarks of Eugene M. Braderman, Deputy Assistant Secretary for Commercial Affairs and Business Activities, Department of State, in connection with the release of the proposed International Patent Coopera-

tion Treaty; fourth, remarks of Edward J. Brenner, Commissioner of Patents, in connection with the said treaty; and, fifth, statement of the highlights of the proposed treaty prepared by the Patent Office.

Mr. POFF. Mr. Chairman.

Mr. KASTENMEIER. Mr. Poff.

Mr. POFF. Mr. Chairman, I join in the suggestion you have just made. I think it would be entirely appropriate to include those documents in the transcript of the hearings. I suggest, too, that there may be those who have testified earlier who would have a particular interest in those documents and, if so, I am sure the subcommittee would want to make them available to those witnesses or, indeed, to any who might have a purpose to testify in these hearings.

I understand that the Commerce Department has a supply and will be glad to make them available on proper request.

Mr. KASTENMEIER. Yes, I think that is a very appropriate comment, and obviously witnesses themselves may later care to address themselves to this point.

(The documents referred to follow:)

U.S. DEPARTMENT OF COMMERCE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 1, 1967.

PATENT COOPERATION TREATY

A proposed Patent Cooperation Treaty was released today by officials of the Commerce and State Departments. Characterized by Dr. J. Herbert Hollomon, Acting Under Secretary of Commerce, as a "major step toward the long-range goal of a universal patent system," the treaty would eliminate the multiple filing of patent applications now necessary to patent an invention in a number of countries.

The proposed treaty was prepared by an international organization (United International Bureaux for the Protection of Intellectual Property, referred to as BIRPI) as a result of a resolution made by the United States last fall.

Eugene F. Braderman, Deputy Assistant Secretary of State, stated that the proposed treaty "will be of major benefit to the industrialized nations as well as to the developing countries of the world."

The principal feature of the proposed treaty is a single basic filing and processing of an international patent application which would provide the basis for the issuance of a patent in any member country. According to Edward J. Brenner, Commissioner of Patents, this would:

eliminate multiple filing of patent applications on the same invention which under today's practice must meet a variety of diverse requirements;

establish a uniform application format which would be acceptable to each member country;

provide a single world-wide novelty search which would be available to the applicant at an early stage; and

permit a single examination resulting in a "Certificate of Patentability" which could be used by the member countries in issuing patents.

[The Commissioner added that many of the provisions of the Administration's Patent Reform Bill, now before the Congress, including the "first-to-file" provision, are essential to full participation by the United States in the proposed system.]

BIRPI is the Secretariat for the Convention of Paris for the Protection of Industrial Property to which the United States and seventy-six other countries adhere. Meetings are scheduled for the fall to develop the proposed treaty.

NOTE.—The Subcommittee has been advised that the matter enclosed within brackets was deleted from the foregoing statement before its release to the public and that failure to remove it from the material earlier submitted to the Subcommittee was inadvertent.

REMARKS OF DR. J. HERBERT HOLLOMON, ACTING UNDER SECRETARY OF COMMERCE, AT NEWS BRIEFING ON JUNE 1, 1967, IN CONNECTION WITH THE RELEASE OF A PROPOSED INTERNATIONAL PATENT COOPERATION TREATY MAY 31

The United International Bureaux for the protection of Intellectual Property (known as BIRPI), yesterday released in Geneva a draft of a proposed Patent Cooperation Treaty designed to reduce substantially the burden of obtaining world-wide protection of inventions and innovations.

BIRPI is the Secretariat for the Convention of Paris for the Protection of Industrial Property to which the United States and seventy-six other countries adhere.

The preparation of this draft treaty is a major step toward the long-range goal of a universal patent system.

Today, in order to protect an invention internationally, an inventor or businessman must file a separate patent application in each foreign country. Each of these applications is then processed individually to determine whether the invention is patentable under the laws of the individual country. As a result of this practice there is an unnecessary and ever increasing duplication of effort which is swamping the patent offices of the world and imposing serious delays and excessive costs on applicants.

We estimate that more than 50 percent of the 650,000 patent applications filed world-wide are duplicates of other applications; and with the rapid acceleration of world trade, the situation will become worse. In 1972, for example, of the estimated 100,000 patent applications which will be filed in this country, 30,000 will originate abroad and be duplicates of foreign applications. In turn, 30,000 of the 70,000 inventions first applied for in this country will also be filed in an average of five foreign countries, giving rise to 150,000 additional applications world-wide.

The multiple filing and examining of patent applications has clogged the dockets of the patent offices of the world. It causes wholly unnecessary expenses and delays for inventors and businessmen engaged in international trade; and because of this, it has created an unnecessary barrier to the expansion of international trade. The draft treaty, if adopted by the countries of the world, will considerably reduce this duplication of time and expense. Under the proposed treaty, instead of filing multiple patent applications, a U.S. businessman or inventor could file a single application with the United States Patent Office and request that this application be treated as an international application. The plan does not provide for the issuance of an international patent. However, it would facilitiate a single search and examination of an application to determine whether an invention is really new, and then this search and examination could provide the basis for issuance of a patent in other countries designated by the applicant.

We believe that this proposed treaty is a significant and indispensable step toward really meaningful cooperation in protecting new technology internationally and affording incentives for creativity on a world-wide basis.

With me today is Eugene Braderman, Deputy Assistant Secretary for Commercial Affairs and Business Activities, Department of State, and the Commissioner of Patents, Edward J. Brenner, who will discuss in some detail the major features of the treaty and the probable steps through which the proposed treaty will be developed.

REMARKS OF EUGENE M. BRADERMAN, DEPUTY ASSISTANT SECRETARY FOR COMMERCIAL AFFAIRS AND BUSINESS ACTIVITIES, DEPARTMENT OF STATE, AT NEWS BRIEFING ON JUNE 1, 1967, IN CONNECTION WITH THE RELEASE OF A PROPOSED INTERNATIONAL PATENT COOPERATION TREATY ON MAY 31

The Department of State strongly supports the efforts described by Dr. Hollomon toward achieving a solution of the serious patent problems facing applicants and patent offices around the world. This world-wide pattern of patent problems has aptly been described as "the international patent crisis" by the National Association of Manufacturers. We are convinced that action on an international scale is essential to preserve the full benefits of the patent system for inventors and businessmen at home and abroad.

For these reasons, we commend BIRPI for the work it has done in the development of the proposed Patent Cooperation Treaty, which will be of major benefit to the industrialized nations as well as to the developing countries of the world. This initiative is entirely consistent with the objective of this Government to increase international patent cooperation directed toward solving the problems of national patent offices and furthering the contribution that patents can make to the expansion of world trade.

The preparation of the proposed treaty was the result of a recommendation made by the United States to the Executive Committee of the Paris Union that "the Director of BIRPI undertake urgently a study on solutions tending to reduce the duplication of effort" in obtaining patent protection in several countries on the same invention. This recommendation was unanimously adopted by the Executive Committee on September 29, 1966. The unanimous vote is all the more important because the make-up of that Committee included countries from all parts of the world, confirming our belief that there is general support for a multilateral solution to these critical problems.

We believe it appropriate that the United States should give every encouragement for the development of a treaty of this nature since United States inventors and businessmen are among the most active in the world in seeking international patent filings and encouraging the diffusion of technology through these filings. A word should be added about the problems of developing countries, many of which are today unable to support or to staff adequate patent processing procedures in this complex technical field. The proposed system offers a clear and simple solution to this dilemma by enabling such countries to utilize a search and examination system developed through an international bureau. Thus, we believe that the developing countries would also benefit from the proposed system in being able to offer meaningful protection for inventors and businessmen, as well as for foreign investors who consider the effective protection of inventions as an important factor in the total climate for investment in these countries.

The draft treaty which is being released today here in Washington is also being released to other Paris Union countries and numerous private and intergovernmental organizations which have an important stake in the solution of pressing international patent problems. Following their study of the draft, a meeting of experts from these countries and groups will be held in Geneva, Switzerland, probably in October of this year to consider further the draft of the proposal and to make recommendations for action on the proposed treaty to the Executive Committee of the Paris Union, which will meet in December 1967.

REMARKS OF EDWARD J. BRENNER, COMMISSIONER OF PATENTS, AT NEWS BRIEFING ON JUNE 1,1967, IN CONNECTION WITH THE RELEASE OF A PROPOSED INTERNATIONAL PATENT COOPERATION TREATY MAY 31

As Dr. Hollomon has stated, the United International Bureau for the Protection of Intellectual Property (BIRPI) has released in Geneva a draft of a proposed Patent Cooperation Treaty designed to reduce substantially the duplication of effort in protecting new technology internationally.

This proposed treaty is of a major significance to the United States Patent Office and the patent offices of the world as well as to inventors and businessmen interested in international markets.

The principal feature of the proposed treaty is a single basic filing, search and examination of an international application which would provide the basis for the issuance of a patent in any member country designated by the applicant.

Under the proposed treaty, the member countries would agree upon uniform requirements for the international application. This would be in sharp contrast to present practice where each country sets its own requirements.

Under a first phase of the treaty, a world-wide search would be made to determine whether the invention is really new, and the application and the search results would then be sent to the countries designated by the applicant. This single search would take the place of the many duplicate searches now performed when a number of applications on the same invention are filed in individual countries.

Under a second phase of the proposed treaty, an inventor or businessman could request a full examination and obtain a "Certificate of Patentability" on the international application. This certificate would certify, on the basis of the search and examination conducted, that the invention was patentable.

The international application, the search and the examination results produced under the treaty plan would provide the basis for the issuance of national patents in countries designated by the applicant, providing the invention satisfied the requirements of national law. The proposed treaty would:

eliminate multiple filing of patent applications on the same invention which under today's practice must meet a variety of diverse requirements;

establish a uniform application format which would be acceptable to each member country;

provide a single world-wide novelty search which would be available to the applicant at an early stage; and

permit a single examination resulting in the "Certificate of Patentability" which would be used by the member countries in issuing patents.

As an overriding advantage, the treaty will form the basis for the buildup of mutual respect and confidence among the patent offices of the world as an indispensable step toward the ultimate goal of a universal patent system.

[There is a close relationship between the proposed Patent Cooperation Treaty and the Patent Reform Bill (H.R. 5924 and S. 1042) which President Johnson forwarded to the Congress on February 21. Many of the provisions of the bill are essential to the full participation by the United States in the proposed treaty plan. Among these are:

[The first-to-file provision under which patents are awarded to the first inventor to file a patent application on the invention.

[The standard of universal "prior art."

[Filing of applications by the owners of inventions as well as inventors.

[The release of the proposed Patent Cooperation Treaty, therefore, adds significance to the patent reforms proposed by President Johnson in the Patent Reform bill. We are convinced that the patent systems of the world must provide positive incentives internationally to be a truly meaningful instrument of progress in the decades ahead. These important measures—The Patent Reform bill and the proposed Patent Cooperation Treaty—are designed to increase these incentives.]

NOTE.—The Subcommittee has been advised that the matter enclosed within brackets was deleted from Commissioner Brenner's statement before its release to the public and that failure to remove it from the material earlier submitted to the Subcommittee was inadvertent.

Highlights of the Patent Cooperation Treaty

PRESENT PRACTICE	TREATY
1. Applicant prepares and files separate *national* patent applications for each country in which he desires protection.	1. Applicant would prepare and file a single international application which could be used by each designated country as a basis for issuing a national patent.
2. Each country establishes its own application requirements and these differ widely from country to country.	2. A standard application format would be established as acceptable for all member countries.
3. The national filing date of each application is the date on which each is actually filed in the countries in which protection is desired.	3. A properly filed international application would establish a single filing date effective in all of the member countries in which protection is desired.
4. Applications must usually be filed in the national language of each country to be acceptable as national filings.	4. An international application filed in one of the four official languages of the treaty is accepted as an effective filing in all member countries. Other national language translations could be required only after the applicant has had an opportunity to review the search of the invention.
5. Each country processes applications individually. Where a search is required, each country conducts its own search whether or not searches are being made on the same invention in one or more other countries.	5. A single world-wide search would be conducted by a qualified search facility in order to determine whether or not the invention is really new.
6. Applications are examined separately and these examinations are subject to varying standards of patentability.	6. Applicants could obtain a "Certificate of Patentability" which would certify, on the basis of an international search and examination, that the invention is patentable. Communication of this certificate to designated member countries would provide the basis for issuance of national patents provided requirements of national law are satisfied.
7. Publication of applications be governed by national law which varies widely from country to country.	7. The international application, together with the search report, would be published eighteen to twenty-four months after the effective filing date.

Summary of Patent Cooperation Treaty

Under the First Phase of the treaty applicant files an international application either directly with the International Bureau or through the medium of his national Office. After a formal check of the application a search report is issued by a qualified searching facility. Applicant is given a reasonable opportunity to amend his claims. The international application, together with a search report, is then published and communicated to the member countries designated by applicant. This international application and search report has the effect of a regular national filing in each designated country unless this effect is denied within a prescribed period of time. Moreover, the international application and search report could immediately form the basis for member countries (e.g. "registration countries") to grant national patents.

Under the Second Phase applicant can request the issuance of a "Certificate of Patentability" on the basis of a standard examination of the international application by a qualified examining facility. If issued, the "Certificate of Patentability" is published and communicated to the countries elected by the applicant. This certificate could immediately form the basis for issuance of a patent, and in most cases, a patent would be granted thereon unless this effect is denied

within a prescribed period of time. Sovereignty in all cases remains with each national Office.

Mr. KASTENMEIER. We would like to hear today as our witness, Mr. Frank B. Pugsley, president of the American Patent Law Association.

Mr. Pugsley, you are, indeed, welcome to the committee. If you will kindly identify your colleague, the committee will be very pleased to hear you. You may proceed.

STATEMENT OF FRANK B. PUGSLEY, PRESIDENT OF THE AMERICAN PATENT LAW ASSOCIATION, ACCOMPANIED BY LEONARD B. MACKEY, CHAIRMAN, COMMITTEE ON PATENT LAW, AMERICAN PATENT LAW ASSOCIATION

Mr. PUGSLEY. Thank you, Mr. Chairman, members of the subcommittee, and counsel, my colleague is Leonard Mackey, a patent attorney from New York. To further identify myself, I am from Houston, Tex. Mr. Mackey and I each have practiced patent law for 17 years, although he is a somewhat younger man than I, or appears to be.

Mr. KASTENMEIER. Your first patents that you filed are now expiring.

Mr. PUGSLEY. It happens that we both are at the magic number of years under present law. One of the changes that we will bring out that our association supports is to measure the terms of patents from the filing instead of from the issue dates, so that we support the 20-year term, and 3 years from now we will have another anniversary.

May I briefly explain the makeup of the American Patent Law Association? We are a national association having a membership of about 3,000 lawyers. The practice of some 2,800 of our members is primarily in the field of patent law.

Both geographically and from the viewpoint of economic interest involved our membership represents a broad cross section. We have members in 40 States, and in all major cities of the country. A recent questionnaire revealed that of the members responding 52 percent are engaged in private practice, 46 percent are employed by corporations, and 2 percent are employed by the Federal Government agencies. Those of our members who are engaged in private practice appear on both sides of the docket in that they sometimes represent patent owners seeking to enforce their patent rights and at other times they represent defendants accused of patent infringement. Moreover, their clients include individual inventors, universities, private research foundations, and both large corporations and small corporations.

I would like to take a moment to go over the deliberations by our association so that the committee will understand how we arrived at the recommended changes and the positions of opposition with respect to H.R. 5924.

We feel we have given the subject of patent law revision more study and more intensive work than any other group. May I read from my statement some of the deliberations of the last 2 or 3 years?

Mr. KASTENMEIER. You may proceed, sir.

Mr. PUGSLEY. The association has for many years had special and standing committees investigating and working with Congress and

the Patent Office in a continual program of improving the patent and copyright systems. This program contributed substantially to the drafting and ultimate enactment of the Patent Act of 1952.

More recently, our standing Committee on Copyright Law has worked closely with the Register of Copyrights and with this committee in connection with copyright law revision, and in studying the interrelationship of the copyright and patent laws. Several years ago we established a special committee on reform of interference practice to study ways of reducing the expense and delay of priority contests in the Patent Office.

The association also has a standing committee on relations with the Patent Office which has cooperated with the Patent Office in efforts to simplify and improve its procedures. Our committee on government patent policy made a careful study which has resulted in the introduction of an association-sponsored bill directed to the problems in that field.

Our standing committee on patent law, of which Mr. Mackey, with me today, is chairman, has made studies leading to the introduction of several bills and has been making long-range studies with the basic objectives as those announced by the President's Commission To Study the Patent System.

Upon the appointment of the President's Commission, the American Patent Law Association established a Special Committee to Study the Patent System, with instructions to consider all possible improvements. The membership of this Committee was limited to 17 carefully selected members of the association who were willing and able to devote substantial time to this effort during 1965 and 1966. Among its members were the immediate past Commissioner of Patents and immediate past Assistant Commissioner of Patents, specialists in foreign patent practice, chemical practice, and interference practice, the heads of several corporate patent departments, and attorneys specializing in patent litigation.

The special committee held its first meeting on September 8, 1965, and met every few weeks thereafter until it was able to issue a preliminary report on November 24, 1965. This report was debated by the association in January in Washington, at which time serious objections were raised with respect to several of the recommendations.

Mr. POFF. Is that January of this year or last year?

Mr. PUGSLEY. Of last year, 1966.

Because of the objections raised and in view of a request by the President's Commission for recommendations on several topics which had not been studied by the special committee, it resumed its deliberations with monthly meetings until July 14, 1966, when it made a final report to the association's board of managers. This report was printed and sent to the membership in August together with a questionnaire respecting the committee's recommendations. Over 1,000 replies were received to the questionnaire, which were tabulated and published.

Meanwhile, in order to furnish those suggestions to the President's Commission as early as possible the final report of this Association's special committee was forwarded to the Commission in September of 1966. Thereafter the results of the membership questionnaire were sent to the Commission in October. Thus during the deliberations of the President's Commission it had the benefit of a large number of sug-

gestions from this association, together with questionnaire results which reflected the initial views of our members respecting these suggestions.

Following the publication in December of the report of the President's Commission, our special committee met again to review the report. Ten of the other special and standing committees of the association were assigned recommendations of the President's Commission for further study, and all of these committees met in Washington in January of this year. After making tentative recommendations most of these committees began conducting mail polls of their full membership to gain the benefit of the views of absent members. Meanwhile, H.R. 5924 was introduced and thereafter was considered along with the Commission's recommendations.

In May the association met in Boston and devoted the entire meeting to a consideration of the changes proposed by H.R. 5924. And I might add also by S. 1042 which we understand to be identical. They also considered the changes proposed by the President's Commission, and by our own committees. To insure a full and thorough consideration by the more than 350 members present at the meetings, six workshop sessions were held, each directed to a major feature of the proposed legislation. Cochairmen having different points of view were chosen to make certain that both sides of each issue would be presented. Following the workshop sessions the association committees met and considered all provisions of the pending bills falling within their jurisdictions.

Our members then debated 71 resolutions proposed by the workshop chairmen, the committees, and by individual members. These resolutions covered substantially all of the changes proposed by H.R. 5924 and, after vigorous discussion and numerous amendments, 39 of these resolutions were adopted.

Now, in discussing the changes proposed by H.R. 5924 which are supported by our association and also the changes which are opposed by our association, I have omitted from the statement certain very minor changes in Patent Office procedure as well as some noncontroversial changes such as classification and storage and retrieval, but we are submitting as soon as the transcript which we have just received has been edited, an appendix which will give all 39 of the resolutions for the committee's record, if we may do that. We just received the transcript of our Boston floor debate, so that we are still editing the 39 resolutions.

Mr. KASTENMEIER. Without objection, such an additional statement will be received and made part of the record as an appendix to this.

Mr. PUGSLEY. Thank you, Mr. Chairman.

(The information to be supplied follows:)

APLA RESOLUTIONS ON PATENT REVISION

A Committee of the Board of Managers has reviewed and edited all the Resolutions adopted on behalf of the Association at the meeting held in Boston in May. They are reproduced here in the form in which they have been sent to Subcommittee No. 3 of the House Committee on the Judiciary.

INTERFERENCE REFORM

Resolved, that the Association recommends elimination of the declaration by the Patent Office of interferences between pending applications, in favor of per-

mitting the issuance of patents with another applicant having the right to provoke an interference therewith, even though he cannot specifically copy the patent claims.

FIRST-TO-FILE SYSTEM

Resolved, that the Association opposes in principle any change in the law which would have the effect of awarding the patent only to the applicant who was the first to file his application; and Further Resolved, that the Association is opposed to Section 102(b) of S. 1042 and H.R. 5924.

Resolved, that should a first-to-file system be adopted, contrary to the position of the Association, then the Association recommends that language adopting the prior user principles of Senator Long of Missouri's proposed Section 274 introduced as an amendment to S. 1042 be included in the patent law of the United States.

Resolved, that should a first-to-file system be adopted, contrary to the position of the Association, the Association believes that such system must provide an effective preliminary application system.

GRACE PERIOD

Resolved, that the Association is opposed to eliminating the present one-year grace period within which aplication may be made for a patent after the public use or sale of the invention or the patenting or publication of the invention; and Further Resolved, that the Association is opposed to Section 102(a) of S. 1042 and H.R. 5924.

Resolved, that should the present one-year grace period be eliminated, contrary to the position of the Association, the Association recommends that language adopting the personal grace period principles of Senator Long of Missouri's proposed Section 105(a) introduced as an amendment to S. 1042 be included in the patent laws of the United States.

Resolved, that should the present one-year grace period be abolished, contrary to the position of the Association, the Association approves the principle that prior art should not include, as to the inventor concerned, disclosures of an invention resulting from a display in an international exhibition or an unauthorized public divulgation of information derived from the inventor.

PRIOR ART

Resolved, that the Association is opposed to any change in the patent laws of the United States which would include as prior art foreign knowledge, use, or sale except to the extent contained in a publication; and Further Resolved, that the Association is opposed to Section 102(a) of S. 1042 and H.R. 5924.

Resolved, that if the patent laws of the United States are changed to include foreign knowledge, use, or sale as prior art, contrary to the position of the Association, the Association recommends that such foreign knowledge, use, or sale be required to be proved beyond a reasonable doubt by evidence acceptable under the Federal Rules of Civil Procedure.

APPLICATION PUBLICATION AND ART CITATION

Resolved, that the Association approves in principle consideration by the Patent Office of patents and publications cited by the public within six months after publication of the application, provided that the applicant has an opportunity *ex parte* to rebut any determination of unpatentability and also has the opportunity to amend the scope of any claims, and further provided that the citing or failure to cite by a member of the public shall have no effect in any *inter partes* proceeding involving him; but Further Resolved, that the Association disapproves Section 136 of S. 1042 and H.R. 5924 as unduly broad and not containing necessary protection for the applicant and the public.

Resolved, that the Association disapproves in principle the publication of pending applications before the allowance of the claims thereof without authorization of the applicant or after the allowance of the claims thereof without first giving the applicant a reasonable time within which to elect whether or not to abandon the application thereby preventing publication.

Resolved, that in the event applications are published prior to their issuance, the Association approves in principle the procedure by which the owner of the application may collect damages from an "infringer" who has received actual notice from the application owner of infringement of a valid claim which has

been allowed by the Patent Office; and Further Resolved, that the Association disapproves the second sentence of Section 273(c) of S. 1042 and H.R. 5924 as unnecessarily restricting the remedies available to a patentee for infringement of his patent.

DEFERRED EXAMINATION

Resolved, that the Association opposes adoption of deferred examination in this country, at least until such time as the effect of such systems being tried abroad is demonstrated; and Further Resolved, that the Association is opposed to Chapter 18 of S. 1042 and H.R. 5924.

Resolved, that the Association opposes in principle the granting of standby statutory authority to any agency to institute a deferred examination procedure at a later date; and Further Resolved, that the Association is opposed to Section 191 of S. 1042 and H.R. 5924.

MEASUREMENT OF PATENT TERM

Resolved, that the Association approves in principle legislation providing that the patent shall expire 20 years after the filing of the earliest United States application disclosing the invention.

Resolved, that provided patents expire 20 years from their effective filing dates, the Association approves the principle that an applicant who has continuously in the Patent Office disclosed an invention in a series of two or more applications shall be entitled to the benefit of the filing date of the earliest filed application in such series.

RESOLUTION OF DOUBTS RE NONOBVIOUSNESS

Resolved, that the Association favors in principle the practice of the Patent Office of giving to the applicant the benefit of doubts concerning non-obviousness of the claimed invention; and Further Resolved, that the Association disapproves the statutory expression of the concept of Section 137 of S. 1042 and H.R. 5924.

FILING BY OWNER AND JOINDER OF INVENTORS

Resolved, that the Association favors in principle permitting the owner of an invention, whether or not he be the inventor, to file a patent application covering that invention, provided the inventor or inventors be named in the application.

Resolved, that the Association approves the provisions of Section 256 of S. 1042 and H.R. 5924 and recommends that the language of that Section be adopted in place of the present provisions of Section 256 of Title 35, United States Code.

DOUBLE PATENTING

Resolved, that the Association favors elimination of "double patenting" as a basis for refusing issuance of a patent and as a basis for asserting invalidity of a patent in situations where the patents will expire on the same date as a result of issuing on the same date or as a result of a terminal disclaimer, provided that the right to sue for infringement of said patents is maintained in the same legal entity.

REISSUE OF PATENTS

Resolved, that the Association opposes an absolute prohibition of reissued patents with one or more claims broader than those in the original patent; and Further Resolved, that the Association is opposed to Section 251(c) of S. 1042 and H.R. 5924.

PATENTABLE SUBJECT MATTER

Resolved, that the Association favors, where practicable, the application of the principles of the Patent System to all the agricultural arts (including all plants, sexual seed breeding, microorganisms, and animal husbandry).

Resolved, that the Association favors the addition to the patent laws of the United States of the following definition of "useful";

"The term 'useful' shall include, but not be limited to, utility in agriculture, commerce, industry or research."

Resolved, that the Association is opposed to the elimination of computer programs from the area of patentable subject matter; and Further Resolved, that the Association is opposed to Section 106 of S. 1042 and H.R. 5924.

PATENT OFFICE FEES AND QUALITY CONTROL

Resolved, that the Association approves the principle that the Patent Office be supported adequately to insure first class staffing, housing and equipment; that the Patent Office should not be self-sustaining; and that any fees charged should be reasonably apportioned in accordance with the cost of providing the particular service.

Resolved, that the Association opposes general authorization for administrative establishment of Patent Office fees without express Congressional approval of such fees.

Resolved, that the Association opposes a statutory Advisory Council to the Commissioner of Patents as proposed by the President's Commission; and Further Resolved, that the Association opposes Section 15 of S. 1042 and H.R. 5924.

Resolved, that the Association is opposed in principle to the publication of a rating of the quality of issued patents; and Further Resolved, that the Association is opposed to Recommendation XII of the President's Commission.

APPEALS FROM THE PATENT OFFICE

Resolved, that the Association recommends that Patent Office decisions be reviewed only by the Court of Customs and Patent Appeals and that that Court be authorized to receive additional evidence.

Resolved, that if the present right to a de novo review of Patent Office decisions by the District Court be retained, contrary to the position of the Association, then the Association favors legislation providing that appeal of District Court decisions in such cases be to the Court of Customs and Patent Appeals.

Resolved, that the Association is opposed in principle to statutory enactment which would make decisions of the Court of Customs and Patent Appeals reviewable by the U.S. Court of Appeals for the District of Columbia; and Further Resolved, that the Association is opposed to Section 147 of S. 1042 and H.R. 5924.

PATENT INFRINGEMENT AND LITIGATION

Resolved, that the Association favors in principle legislation making the importation into the United States of a product made abroad by a process patented in the United States an act of infringement, regardless of whether patent protection on the process was available in the foreign country where the product was made.

Resolved, that the Association disapproves legislation which would create an estoppel against the patentee, and those in privity with him, arising out of an adjudication limiting the scope of any patent claim or holding it invalid; and Further Resolved, that the Association is opposed to Section 294 of S. 1042 and H.R. 5924.

Resolved, that the Association opposes in principle the creation of the Office of Civil Commissioner in patent cases, and the Association specifically opposes Section 757 of S. 1042 and H.R. 5924.

PATENT LICENSING AND MISUSE

Resolved, that the Association approves legislation by which the licensable nature of patent rights should be clarified by specifically stating in the patent statute that applications for patents, patents, or any interests therein may be licensed in the whole, or in any specified part, of the field of use to which the subject matter of the claims of the patent are directly applicable; and Further Resolved, that a patent owner shall not be deemed guilty of a patent misuse merely because he agreed to a contractual provision or imposed a condition on a licensee, which has (a) a direct relation to the disclosure and claims of the patent, and (b) the performance of which is reasonable under the circumstances to secure to the patent owner the full benefit of his invention and patent grant; and Further Resolved, that the Association approves of legislation by which it is made clear that the "rule of reason" shall constitute the guideline for determining patent misuse.

GENERAL RECOMMENDATIONS

Resolved, that the Association recommends that the Congress, give careful consideration after extensive hearings thereon to the capabilities of modern information retrieval and communication technologies in evolving a self-consistent soundly conceived patent act.

Resolved, that the Association approves in principle mutual efforts among foreign countries and the United States to improve the international operability of patent systems throughout the world; and Further Resolved, that the Association disapproves in principle changes in the United States patent statutes made to increase uniformity with foreign patent systems unless it be shown that such changes will favorably affect the domestic operation and effectiveness of the United States Patent System.

Resolved, that the Association does not consider the Patent Reform Act of 1967, now pending as S. 1042 and H.R. 5924 before the Congress, suitable for enactment in its present form or well adapted to solve the problems recognized, and achieve the purposes and objectives stated, by the President in his letter transmitting to Congress the text of that proposed Act and, therefore, recommends that it be not enacted into law.

Mr. PUGSLEY. The next section of my statement relates to the changes proposed by H.R. 5924 which are supported by APLA. Among the changes which were approved by the association, as I mentioned a moment ago, is section 154(b) providing that patents shall expire 20 years after the filing date of the application. This change in measuring the term of a patent should discourage any intentional delay by the applicant in prosecuting his patent application, as each delay automatically would shorten the life of his patent.

I might add that section 154(b) provides that patents would expire 20 years after the earliest U.S. effective filing date. Our resolution supports the 20-year provision whether or not preliminary applications are included in the law. In either event we feel that this would be a good change and would eliminate any cause for intentional delay on the part of the applicant.

A related change supported by APLA is the provision of section 154(c) extending the term of a patent in case of delay caused by a secrecy order. The need for and fairness of this provision is self-evident.

Another proposal of H.R. 5924 which was endorsed by the association is the provision of section 111 permitting the owner of an invention, whether or not he be the inventor, to file the patent application. However, our association emphasizes that we feel the proviso requiring the inventor to be named therein is important and should be included. We think the name of the inventor should be stated.

Also endorsed was the principle of section 116 authorizing less rigid requirements for joining coinventors in a patent application and liberalizing filing procedures in such cases.

Another provision of H.R. 5924 which is approved in principle by the association is the proposal of section 136 to allow interested parties to call to the attention of the Patent Office any prior patents or other public disclosures which may have been overlooked in allowing the claims of a published application.

In a moment I will get to the section where we discuss publication generally. We believe the provision of H.R. 5924 respecting publications needs some amendment, but we do support publication after allowance and do support the citation of prior art. We feel that this provision will aid the Patent Office by supplementing its search of the prior art which, of necessity, is limited to the patents and publications in the Patent Office files.

APLA also approves in principle the provisions of section 273 of H.R. 5924 by which the owner of a published patent application may collect damages from an infringer who has received actual notice of

infringement of a valid allowed claim of the application, but the association disapproves the second sentence of paragraph (c) of the section as unnecessarily limiting the equitable remedies available in case of continuation of infringing use after issuance of the patent.

I might also add that section 273(c) was discussed and debated at length in committees and otherwise because as written it is subject to several interpretations.

It is intended to limit injunctive relief with respect to subsequent use or sale of machines, manufactures, or compositions made prior to the grant of the patent but leaves considerable unanswered questions, and our association concluded that it is unnecessarily limiting in any event in the case infringement is continued after the patent issued. Thus, we did not include in the statement of resolutions any amendatory language.

The association notes with approval, moreover, that H.R. 5924 retains provisions for plant patents, and recommends the extension of the principles of the patent system to all of the agricultural arts.

The next section of our statement deals with certain recommendations of the President's Commission which are favored by APLA, but either omitted from or materially altered in H.R. 5924.

The most important of these is Recommendation XXII providing that the "rule of reason" shall constitute the guideline for determining patent misuse. The doctrine of patent misuse is plagued by so many conflicting decisions that patent owners and businessmen are unable to determine how they can safely and properly deal with patent rights. Adoption of the general test of reasonableness with respect to patent contracts having a direct relation to the invention covered by the patent would be an important step toward clarification of the doctrine. Accordingly, the association recommends that legislation implementing Recommendation XXII of the President's Commission be enacted.

The association also notes that recommendations XXI of the President's Commission, to the effect that importation of a product made abroad by a process patented in the United States should constitute an act of infringement, was subjected to a crippling amendment before its inclusion as paragraph (b) of section 271 of H.R. 5924.

That amendment is the last clause that reads:

Provided patent protection for the process is not available in such country.

The association supports this recommendation as originally presented by the President's Commission. It feels that the exception provided in section 271(b) of H.R. 5924 would invite a potential infringer of a new process to seek out a country in which patent protection was available but either had not been obtained or was ineffectual, and then move his manufacturing facilities from the United States to that country for the purpose of using the new process to make products for the American market. Such an "infringer," not bearing any portion of the research expense leading to the development of the process, not having royalty to pay to the inventor, and also having available cheaper foreign labor, would have a substantial advantage over American manufacturers who were using the process under a license from the inventor. The association feels that such an advantage would be an unfair one and therefore supports the Commission's recommendation without the exception included in section 271(b) and recommends

that the final clause, the exception provision, be deleted from this section of H.R. 5924.

The next section relates to the changes proposed by H.R. 5924 which the American Patent Law Association opposes.

The most fundamental and far-reaching change proposed by H.R. 5924 is the adoption of a first-to-file system. Its supporters urge that it will eliminate the long delays inherent in priority contests, or interferences, as they are called, and it will make our system more compatible with those of the European countries. Because of the primary importance of this proposal our association has given it lengthy and sympathetic consideration, by means of committee studies, panel discussions, a questionnaire, workshops, and floor debate. The result is a firm position and sincere belief on the part of the association that adoption of a first-to-file system would not be in the public interest.

With respect to long delays resulting from priority contests, the association recognizes this problem and recommends an alternative solution in the section of this statement entitled "Alternatives Sponsored by the Association." It is believed that the alternative, which is the elimination of the declaration of interferences between pending patent applications, will end the delays in issuance of patents which are often caused by the present interference practice.

The association's basic reason for opposing the adoption of a first-to-file system is that it would be unfair to the true first inventor. Our patent system was founded on the basis of recognizing and rewarding the true inventor, and we believe that this is the most just and equitable principle to follow. This concept also, that is our present concept of rewarding the true inventor, has provided practical benefits not achieved in the first-to-file system.

For example, an inventor under our present system may with reasonable safety disclose his ideas to others, seek financial and other help, make improvements, and build and test the invention—all before having to file his patent application.

This is because his rights are established from the time he first conceived and reduced to practice. As a result, U.S. patent applications, as is generally conceded, are valuable sources of information and adequately teach the best mode of practicing the invention. That, of course, is because the inventor is free to wait until he has completed his invention and then file a carefully prepared patent application because his priority dates from the time he made his invention, not from the time he rushed to the Patent Office with the application.

Under a first-to-file, the inventor necessarily must "race to the Patent Office" as his rights may be cut off if he delays the preparation of his application until he completes the development of his invention.

And here we are not talking about theft. We are talking about an honest second inventor working on the same thing. If the first inventor, under the first-to-file system, doesn't rush to the Patent Office as soon as he has the idea, the second inventor a month later may beat him to the Patent Office, cut off his rights and have the rights for himself. He would have, of course, acted entirely properly in so doing.

We feel that a patent that is based upon a carefully prepared disclosure of a complete invention is much more valuable to the scientific community than one based upon a hastily written disclosure, with time being of the essence and usually prepared on a not quite completed invention.

Turning to the advantage of adapting our system to those of the European countries, APLA submits that the distant dream of a universal patent does not justify this country's adoption of an unfair system with inherent practical disadvantages.

The next statement was written before I had seen the highlights of the Patent Cooperation Treaty and was just based on information given me orally, but I find it, from reading these highlights, to be accurate. That is, the limited international cooperation now under consideration clearly would not require that all participants have either a first-to-file or a first-to-invent system.

Your chairman has referred to the U.S. Department of Commerce publication entitled "Highlights of the Patent Cooperation Treaty" and has put it in as part of the record of this committee's hearing. The proposed treaty preserves to the member countries the right to include additional qualifications and requirements for a patent. Once the certificate of patentability has been issued by the international organization following its search, a certificate of newness, so to speak, the member countries would then apply their own law with respect to the search and the prior art in determining whether the requirements for a patent in their country are met.

While this treaty looks like a fine step forward, it does not require us to adopt a first-to-file system, nor does it require the European countries to adopt a first-to-invent system.

Mr. KASTENMEIER. On that point, as long as the witness has taken a moment to pause, Commissioner Brenner's statement would seem to suggest to the contrary. I quote from his statement as follows:

> Many of the provisions of the bill—the bill before the committee—are essential to the full participation by the United States in the proposed treaty plan. Among these are—

Then he has—

> the first-to-file provision under which patents are awarded to the first inventor to file a patent application on the invention.
> The standard of universal "prior art."
> Filing of applications by the owners of inventions as well as inventors.

So that, in any event the Commissioner appears to disagree with you. He says that the first-to-file provision is essential to the full participation of the United States in connection with this patent cooperation treaty.

I assume we will have further discussion of that, further dialog on that question as time goes by.

Mr. POFF. Will my chairman yield?

Mr. KASTENMEIER. Yes, I yield.

Mr. POFF. As the chairman has just indicated, the Commissioner further seems to say that the standard of universal prior art would also be one of those elements which would flow from the treaty which probably is at odds with the statement you have just made, too, at least inferentially.

Mr. PUGSLEY. I believe I can answer both of those questions together, if I may.

Mr. POFF. Yes.

Mr. PUGSLEY. I know Commissioner Brenner well, and I know the care with which he prepares any statement, and I feel that the statement on the necessity of adopting a first-to-file system in order to go

forward with treaty plans must have been made before the tentative treaty points were arrived at and this release of June 1 made.

I do not believe, while I haven't seen any complete text of the treaty, but from the highlights by the Patent Office released on June 1, that there would be any need for the member countries to change from either first-to-invent or first-to-file.

I call your attention particularly to highlight point number 6 on page 2 of the highlights. It reads:

Applicants could obtain a "Certificate of Patentability" which would certify, on the basis of an international search and examination, that the invention is patentable. Communication of this certificate to designated member countries would provide the basis for issuance of national patents provided requirements of national law are satisfied.

Mr. POFF. The proviso is the thing you underscore?

Mr. PUGSLEY. Yes, sir, because we could continue to award the patent in our country and in Canada or any other country that followed first-to-invent, to the one who had invented it first, and still take advantage of the international search and the certificate of newness or patentability, as it is loosely called, that would be forwarded to all countries.

On the question of prior art you have a good point because if the treaty of this character were implemented, it would certainly be advantageous that we try to standardize definitions of prior art because otherwise the search, the international search would have to be carried along on two or three bases and include some things as prior art to send to some countries and some that wouldn't be of interest to other countries.

Mr. KASTENMEIER. Do you believe that other countries would agree to such a treaty if our standards differed as they presently do?

Mr. PUGSLEY. I see no reason why they would not.

Mr. KASTENMEIER. Then that makes the statement of Commissioner Brenner quite strange. One can only interpret. I would think that he feels that it would be necessary to have a first-to-file provision adopted, and the standard of universal prior art, in order to gain general acceptance of such a treaty.

Mr. PUGSLEY. I think Commissioner Brenner, if I may suggest what he has in mind, is pointing out that down the road after this first step toward a universal search and cooperation has been taken, that the ultimate treaty to provide a universal patent, so to speak, would have to require standardization among all of the countries.

It is the hope of our association that by then we can persuade the member countries to adopt the system which we consider not only to be more fair, but to promote the practical benefits of a more complete disclosure of the invention.

Mr. KASTENMEIER. In any event, Mr. Pugsley, would you continue with your statement?

Mr. PUGSLEY. But I would agree on a universal patent. Certainly Mr. Brenner is entirely correct. You couldn't have a universal patent with conflicting provisions as to its grant or validity, but we think that is, unfortunately, still something of a distant dream. We tend erroneously to lump the European countries in one camp and assume that their patent laws already are uniform, and that isn't true either. The European countries each has a very different patent law, a very different definition of private use and public use. Some have personal grace periods. Some do not have personal grace periods, and so forth.

Their own differences are just about as marked as the differences between some of their systems and our system.

So that there is much to be worked out besides just a change in the U.S. system.

Mr. KASTENMEIER. However, all do have a first-to-file system?

Mr. PUGSLEY. In Europe?

Mr. KASTENMEIER. In Europe.

Mr. PUGSLEY. Yes; I believe that is correct.

Mr. KASTENMEIER. Would you continue, sir.

Mr. PUGSLEY. I might add that all the civil law countries generally do, and the civil law is generally followed in South America; the principles of the first-to-file system have been followed in Europe and in Latin America.

Mr. KASTENMEIER. And in Great Britain, which is not a civil law country?

Mr. PUGSLEY. Although a different historical development, it is followed in Great Britain. I am told that Great Britain wished to encourage people to bring new ideas to the realm and its patent system was adopted to reward the first who brought an invention into the realm, and it was a wonderful impetus to the industrial revolution in Great Britain, in that many fine artisans from Germany and the Low Countries immigrated to Britain with the ideas that they had learned from working with artisans in the other countries and were allowed to patent them in Britain, and it encouraged many skilled people to come to Britain.

Mr. POFF. Would you rather I would defer until he concludes?

Mr. KASTENMEIER. Yes. In fact, I apologize for causing the witness to digress this much; but he did hit on a point which digressed from his own statement in response to an announcement I made earlier, and we did get off on the discussion of this. I would hope that the witness might be able to conclude his statement so that we could question him in a more orderly fashion at the conclusion thereof.

Mr. PUGSLEY. I will do that, Mr. Chairman.

The next point in my statement follows what we have been discussing.

Our association recognizes that at some point in time we will achieve a one-worldliness to a point where a universal patent may become possible, and in an effort to be as constructive and informative as possible, and on the assumption that at some point in time we will be persuaded by the Europeans to go to their system instead of our persuading them to go to our system, we then took up and studied at great length what would be needed in a first-to-file system to make it fair and equitable.

We concluded that it could not be made fair and equitable under our standards, but we did set forth certain minimum conditions or a minimum standard of fairness to graft upon a first-to-file system.

The principal point is that such a system should include a provision for prior user rights such as proposed by Senator Long of Missouri in section 274 of his proposed amendment to S. 1042. We feel that to deny the first inventor who has gone perhaps to nonpublic use in his factory of a new process the right to continue that use just because he did not seek a patent monopoly on it would be manifestly unjust.

Mr. POFF. That is equivalent to a shop right.

Mr. PUGSLEY. Yes, much similar to a shop right. We also agree with H.R. 5924 that if a first-to-file system were adopted, it must provide for preliminary applications such as the present wording does provide for and such as they use in Great Britain.

There were several other changes proposed by H.R. 5924 which the association believes are not in the public interest. With respect to some of these it favors retention of the present law without change, and as to others, changes are suggested.

Of particular importance is the proposed elimination of the "grace period" within which an inventor may perfect, further develop and market test his invention before being required to file his patent application. The association believes that the present 1-year period is a reasonable compromise between the goal of prompt filing of patent applications and the equally desirable goal of having applications disclose the best possible mode of practicing the invention.

Section 102(a) of H.R. 5924, however, would force inventors to file applications prematurely, on ideas which had not been adequately considered or tested, to avoid the risk that an intervening public use or publication would cut off the right to a patent. This is similar with the point made with respect to the first-to-file system, but in this case the concern is that if the invention were being perfected before filing, some competitor might cause in the trade journals a sincere and honest publication, but in such broad language that it might bar the patent application to a company that had been working on it for several years, trying to perfect it in practical form.

We fear that this would flood the Patent Office with disclosures which not only would fail to teach one skilled in the art anything of value, but which by their sheer quantity would tend to obscure and mask the important disclosures.

As an aside, I might say that we are happy with the Patent Office being a repository of technical information as an aid to American industry and the scientific community, but we feel that the first-to-file and elimination of the grace period provisions would cause such a flood of the hastily prepared preliminary disclosures and applications that it would make it many times more difficult to use the Patent Office and the disclosures in the Patent Office for anything of value. It would just be too hard to find what had really been worked out and was a practical invention because it would be hidden with all of these hastily prepared idea disclosures.

We also considered what should be done in the event, contrary to the recommendation of our association, the grace period was eliminated, either in the future as part of a universal patent system or otherwise.

The association would favor a personal grace period in that event such as proposed in section 105(a) of the Long amendment to S. 1042. Personal grace period, I understand, is in use in some of the European countries, and I believe in Japan, also.

Another change proposed by H.R. 5924 which was opposed by the association on the ground that the present law better serves the public interest is the provision of section 191 for standby statutory authority for the Secretary of Commerce to institute a system of deferred examination. It is the considered view of the American Patent Law Association that deferred examination should not be adopted until such time as this new system of examination has been in use in Holland and

possibly Germany a sufficient time to evaluate its effectiveness. Then such a system should be adopted only if the advantages of deferred examination can be shown by the experience in these countries to outweigh the benefits of a prompt and full examination system. In any event APLA opposes in principle the delegation of standby authority to any Government agency to adopt deferred examination, without express approval of Congress, and we recommend that Congress reserve the right to make this important decision on whether a deferred examination system should be instituted in this country. Thus we oppose the provision of H.R. 5924 which would give the Commerce Department the authority to institute the system when it chose.

Section 123 of H.R. 5924, providing for publication of applications, is opposed in its present form, but if modified as outlined below the proposal would be supported. The association recommends that applications be kept secret until their allowance and that an applicant be allowed a reasonable time after allowance of his application to decide whether to abandon it in order to avoid publication. If abandoned, of course, the application would neither be published nor issued as a patent.

So he would get no patent protection if he chose to avoid publication by abandoning.

With those changes, the association supports the idea of publication and the attendant advantages of citation of art after publication to aid the Patent Office in making a reconsideration.

Because the subject has come up before, and for the question period, I will point out now that one of the highlights of the proposed treaty is that the international organization would publish the applications not more than 24 months after the effective filing date so that the position of our association would not be in entire accord with the treaty as now proposed. But that is the only point wherein the position of our association would cause any conflict with the highlights of this treaty, although I have not had an opportunity to read the entire text.

The association opposes the provision of section 102 of H.R. 5924 which would include foreign knowledge, use, and sale as prior art.

I should add that this could be another point where we might be in conflict with the treaty, depending on how it is implemented, because naturally the search would be easier if everyone defined prior art the same way. If contrary to its recommendation this provision be adopted, then the association recommends a requirement that such foreign knowledge, use, and sale be proved beyond a reasonable doubt by evidence acceptable under the Federal Rules of Civil Procedure. We are hopeful that the text of the treaty will make it plain that once the international search is made, including everything as prior art, each country will be left free to choose what part of the prior art found by the international search agency is applicable under the laws of that country. But we don't know that yet and, of course, the treaty language is still developing.

Among other changes opposed by the association is the proposed elimination of computer programs from the area of patentable subject matter. The association believes this subject involves such a new area of technology that patentability in this field should be determined by the courts on a case-by-case basis. It is still too early to predict the na-

ture and effect of technological developments in this field and deal with them by rigid statutory language such as proposed by section 106.

For a similar reason the association opposes the provisions of section 294 of H.R. 5924 which would create a statutory estoppel against the patentee arising out of an adjudication limiting the scope of any patent claim or holding it to be invalid. The doctrine of collateral estoppel, now being applied to curb the practice of asserting infringement of claims of a patent previously held to be invalid, has been developing on a case-by-case basis. The association believes that the proposed statutory provision would be unfair in some cases, and that its enactment would halt the promising development of the collateral estoppel doctrine and its application to patent litigation. The result would be to postpone indefinitely an equitable solution to the problem of multiple litigation respecting the same patent.

The association disapproves proposed section 137 and favors the principle of giving the applicant the benefit of doubts concerning nonobviousness of the claimed invention. The association was influenced in this respect by the recent Supreme Court decision in *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966), in which the Court stated:

> Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc. might be utilized to give life to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy.

We were particularly focusing on the point that commercial success is a proper indicia of obviousness or nonobviousness. Because such a thing as commercial success cannot ordinarily be determined before prosecution of an application before the Patent Office has been terminated, it was felt that unless the benefit of a reasonable doubt respecting nonobviousness be given to the applicant, he would never have an opportunity to show the patentability of his invention by these indicia that his invention was really not obvious. In other words, he would be cut off at the Patent Office before he had even gone into the marketplace.

The association further opposes the provisions of section 253(c) of H.R. 5924, in favor of elimination of double patenting as a basis for refusing issuance of a patent or of asserting its invalidity in situations where the patents will expire on the same date and the right to sue for infringement of both patents is maintained in the same legal entity. It is the association's belief that any evils inherent in double patenting are eliminated if the patents, as a result of terminal disclaimer or otherwise, expire on the same date and are owned by the same person, because in such circumstances the patents in effect are but a single patent contained in two documents.

While the association supports the recommendation of the President's Commission that the Patent Office be supported adequately to insure first-class staffing, housing, and equipment, and that the Patent Office should not be required to be self-sustaining, the association opposes the portion of Commission recommendation XXVII incorporated in section 41(a) of H.R. 5924 which authorizes the Commissioner of Patents to fix Patent Office fees without express congressional approval of such fees.

We think this is a prerogative which should be kept by Congress.

Mr. Mackey called to my attention that from the transcript which

we have just received we find that the association has resolutions which also oppose the provision that would absolutely eliminate any broadened reissue of a patent. We feel that mistakes are all too human and that sometimes a very meritorious invention is not properly claimed and we feel that for some reasonable time after issuance there should be some provision for reissue on a broadened basis in proper circumstances.

The final point is: The alternatives sponsored by the association.

Many of the changes proposed by H.R. 5924 and studied by APLA were recognized as being sincere attempts to solve real problems. However, the association not only believes that many of these changes are not in the public interest, for the reasons outlined above, but also believes that alternatives are available which would provide better solutions for the problems involved.

Among these alternatives is a change designed to give many of the advantages claimed for a first-to-file system, without the inequities inherent in such a system. The association recommends an end to the Patent Office's present practice of declaring interferences between pending applications, in favor of prompt issuance of a patent, but with any other applicant for a patent on substantially the same invention having the right to request an interference with the issued patent. This procedure should eliminate the delay in issuing patents which so often is caused by our present system of priority determination, yet would not penalize the true first inventor who had waited until he had perfected his invention before filing his patent application. We realize that only some 1 percent of the patent applications are ever put into these interferences but it does sometimes cause a delay of several years in the issuance of either one, and people are lulled into thinking there will be no patent in the particular area and begin to practice the invention and years later a patent issues.

We propose to issue the first filed application promptly and then if he desires and has an application on the same invention pending the true first inventor can request an interference with that patent after it has been issued and everyone knows what is patented. The only question left would be a possibility that someone else would obtain the claims but businessmen would know what the claims are. They would be issued and out in the open.

Another problem which the association feels can be solved in a better way than that proposed in H.R. 5924 is the elimination of the dual routes of review of Patent Office decision. Our recommendation would provide for review only by the Court of Customs and Patent Appeals with that court being authorized to receive additional evidence. After much study of this question the association concluded that the Court of Appeals for the District of Columbia should not review decisions of the Court of Customs and Patent Appeals, as proposed in section 147 of H.R. 5924. The alleged broader patent experience of the District of Columbia Court of Appeals resulting from its appellate jurisdiction in patent infringement matters is open to serious question. In the 5-year period from 1961 through 1965 that court decided only three infringement cases, two of which were simply affirmed by brief per curiam opinions. Only 34 other patent, trademark, and copyright opinions of the court were reported in the U.S. Patent Quarterly for the same 5-year period, showing that each of its nine judges devotes only a

minor fraction of his busy schedule to patent matters. By way of contrast, the Court of Customs and Patent Appeals wrote full opinions on the merits of 687 Patent Office appeals during that time. The association believes that the expertise of the Court of Customs and Patent Appeals in handling appeals from the Patent Office is a valuable and necessary part of a properly functioning patent system.

By way of summary and conclusions our association endorses the objectives set forth by the President's Commission and has considered each proposed change in the patent system carefully in the light of these objectives. However, the association does not consider H.R. 5924 in its present form to be well adapted to solve the problems recognized and achieve the objectives of the Commission. Therefore, the association recommends that it not be enacted and that, instead, a continuing study should be made by this committee, and other interested groups including our association to determine how best we can equip our patent system to deal with today's problems and tomorrow's challenges.

Our association is giving continuing consideration to the proposals of the President's Commission, including those not incorporated in H.R. 5924, and to other proposals for changes. In so doing it is cooperating with other bar organizations, such as the patent, trademark and copyright section of the American Bar Association, in an effort to find and present to this committee further proposals to improve the patent system.

I believe I mentioned earlier that we will submit the exact text of our resolutions and your chairman gave us permission to do that.

Thank you for the privilege of appearing before you and for listening to me.

Mr. KASTENMEIER. Thank you, Mr. Pugsley, for very helpful testimony this morning. You represent a very large and obviously very deeply concerned and interested organization as far as patent law is concerned and your testimony in their behalf is important.

As I understand your views, you have attempted to reflect the views of the association that were arrived at last month.

Mr. PUGSLEY. That is correct.

Mr. KASTENMEIER. I say that because the views of the association and its component parts have changed from time to time somewhat. As I understand it your Special Committee To Study the Patent System made a final report last July 14 and Mr. Mackey was a member of that committee, were you not?

Mr. MACKEY. Yes, I was.

Mr. KASTENMEIER. And there you did recommend abolition of interferences and the institution of a first-to-file system with a personal grace period, did you not?

Mr. MACKEY. Yes. Those were the recommendations of that special committee. They do not reflect, needless to say, the views of the entire association. This was part of the consideration by the board of the association so that there isn't truly a change in the entire association position.

Mr. KASTENMEIER. No. This has to do with what a special committee appointed for the purpose of reviewing the system reported.

Mr. PUGSLEY. May I add one point on the first-to-file recommendation? The special committee included alternative recommendations of

either first-to-file or the interference reform which the association has proposed. Of the two the committee vote was in favor of the first-to file, the special committee.

The questionnaire which was sent a month after the committee report to the President's Commission showed our membership, some 70 to 30 percent favored instead the reform of interference practice and not first-to-file so that our questionnaire results went along a month after the special committee's report.

Mr. KASTENMEIER. The special committee also recommended compulsory publication and a kind of a selective examination system, did it not?

Mr. MACKEY. This is correct.

Mr. KASTENMEIER. As well as a term beginning with the filing date.

Mr. MACKEY. Which has been endorsed this morning by Mr. Pugsley.

Mr. KASTENMEIER. Yes. Inasmuch as the President's Commission made a number of similar recommendations and in the light of the prestige of the APLA, could you not speculate that the recommendations of the special commitee may have contributed substantially to the President's Commission report?

Mr. MACKEY. We could speculate that way. We can do no more.

Mr. PUGSLEY. We furnished the President's Commission copies of committee reports prior to their approval in an effort to be helpful and we sent them over all the really worthwhile or thought-provoking suggestions that our committee came up with and it could well be that it influenced the President's Commission.

Mr. KASTENMEIER. While the association rejected the first-to-file alternative recommended by the special committee. did it in any sense reject your general views on pages 18 and 19 of your special report on international considerations? I will not read that because it is rather long but do you consider that the recommendations of the full association concurred in your report on pages 18 and 19?

Mr. MACKEY. I would like to defer answering that for a moment and find out just precisely what was said.

Mr. KASTENMEIER. Let me ask another question in the meantime. Mr. Pugsley, you suggested that your association has been concerned particularly with the 1952 revisions. The grace period there was reduced at that time from 2 years to 1 year. What was it that militated for reduction of the grace period? Now the grace period is rather vigorously defended by your association. Ought we not still have a 2-year grace period in your association's view?

Mr. PUGSLEY. I believe first, Mr. Chairman, that the grace period was reduced from 2 years to 1 year, 6 or 8 years ahead of the 1952 codification.

Second, the majority of our association both in committees and in floor discussions do consider the 1 year to be a good compromise between the need to require prompt filing and the need to afford time to develop an invention and market test and change it. The only segment of our group that finds the 1 year sometimes too short, I believe, were those in chemical practice but the association as a whole considers it a very fair compromise between the two goals and they are both desirable goals. We do not recommend enlarging it to 2 years.

Mr. KASTENMEIER. That is all I have.

Mr. Edwards?

Mr. EDWARDS. I have no questions.

Mr. MACKEY. May I clarify a point that you addressed to me just to be sure that the record is clear on that?

Mr. KASTENMEIER. Yes.

Mr. MACKEY. I find nothing on pages 18 and 19 of the report which is inconsistent with the association's view at this time. That is with specific reference to the international considerations here.

Mr. KASTENMEIER. Mr. Poff?

Mr. POFF. Thank you, Mr. Chairman.

We have heard a good deal about the fact that most nations in the European orbit use the first-to-file system. If there is a typical law on prior art in the European nations, what is it?

Mr. PUGSLEY. I might defer to Mr. Mackey. I understand that on prior art the definitions vary extremely and what is a secret use or private use in France is a public use in the neighboring countries, and so forth; so that their definitions are very varied.

Mr. MACKEY. I think this is the best we can say on this point, that there are wide variances in the basis for patentability from country to country all the way from a registration system in France, where in France to successfully proceed with an infringement suit very often they will look to what happened in Germany and what happened in the United States to get a feeling as to what the patent really covers, what the invention is.

Mr. POFF. Presently our own patent law includes within the definition of prior art publications as well as patents abroad. It does not, however, include as this bill would propose, foreign knowledge. My specific question is, Does the law of any European nation include foreign knowledge in another nation?

Mr. MACKEY. Yes, sir; some do but my problem is to pinpoint it for precision.

Mr. POFF. And is knowledge there distinguished from use?

Mr. MACKEY. Yes. There is a distinction between a publication or published knowledge and use. Use is often very difficult to prove.

Mr. POFF. I did not say published knowledge. I asked you if any of the laws of the European nations included in its definition of prior art public knowledge in another country, not published public knowledge?

Mr. MACKEY. I frankly can't answer your question with precision at the moment.

Mr. POFF. Inasmuch as there seems to be some misunderstanding about that, let's look at section 102 and let me ask you if what is required there is simply not public knowledge as distinguished from published knowledge?

Mr. PUGSLEY. We have been distressed over the language "was known to the public" because that is such broad vague language and the problems of proof in foreign countries in particular are so difficult as you gentlemen, who I understand to be lawyers, have found. You are not permitted cross-examination in a good many of the countries, or if you are permitted you have to write your questions out ahead of time and furnish them to the witness and opposing counsel before the hearing so that to get at the truth respecting whether a man did or did not know something when it is not published is an extremely difficult thing and that is what, as I understand, resulted in the congressional enactments in the twenties that excluded what had been done in a for-

eign country from the orbit of either priority determination or prior art. Those are practical problems of proof.

Mr. POFF. Now, may I pursue another line of interrogation? Under the first-to-file system I suppose between honest inventors the reward goes to the quickest; is that a fair statement?

Mr. PUGSLEY. Yes.

Mr. MACKEY. Yes.

Mr. POFF. Now, as between one honest inventor and one thief, who has the advantage?

Mr. PUGSLEY. I believe your proposed act does have a provision, well, I know it does, that is supposed to take care of thievery but the objection is that the thief has a headstart and presumption in his favor which we hesitate to give him.

Mr. POFF. Of course, it would be possible that the true inventor could show that the thief was in fact a thief.

Mr. PUGSLEY. Yes.

Mr. POFF. But until that had been done and, of course, this would require litigation——

Mr. PUGSLEY. Right.

Mr. POFF. The thief, if he is the quickest would be favored by the first-to-file system.

Mr. PUGSLEY. The law would be entirely in his favor on all the presumptions of it; yes.

Mr. POFF. The Commissioner of Patents expects to go to Geneva in October where a working group will consider the draft treaty. My question, sir, is prior to that time will your association be given an opportunity to express its sentiments on the proposed draft?

Mr. PUGSLEY. We would like to have that opportunity. We have several committees that are assigned this subject matter, including our international law committee and our patent law committee, and we have a board of managers, which is empowered by our articles of association to meet and take positions so that even in the absence of the full meeting or questionnaire, we can make a study and take positions well before October. We are also cooperating with the American Bar Association, which meets in August, and some of the positions of the patent section of that group will be further considered in August including this very matter.

Mr. POFF. As a matter of mechanics, assuming you are able to arrive at positions, how would your position be communicated to the Commissioner?

Mr. PUGSLEY. Just recently the Commissioner has announced a policy of inviting the presidents of the major patent bar groups to his office for conferences. I think that would be the first way for us to communicate our position to the Commissioner. We would be happy if permitted to communicate our position to this committee.

Mr. POFF. Mr. Chairman, speaking as one member of the committee, I think a formal request that this be done is in order and moreover may I express the hope that the Commissioner will share my view that he cannot properly perform his task in Geneva unless he does invite in advance of his trip there the views of this organization and others in the profession who are knowledgeable with respect to the proposals which that group will be considering in Geneva.

Mr. KASTENMEIER. We have earlier indicated that others might communicate their views and, of course, if your association desires to take the time to devote itself to this, that is a matter for you to decide. The Chair is not able to speak for the Commissioner of Patents.

Mr. PUGSLEY. We would like to do that, Mr. Chairman. This is the most important subject to our association. This is our livelihood, our principal interest, and we are very concerned and we do intend to take the time and we appreciate the invitation to submit to this committee our views.

Mr. POFF. By way of addendum, Mr. Chairman, knowing Commissioner Brenner as I do, I know that he will welcome the advice which he receives from any person expert in this field. He does not want to commit the United States to something which would not have the general support of the American people. I don't mean to imply that the draft of the treaty, which is in my possession, indicates that he intends any such thing. On the contrary, I know that he intends to be objective about it and will welcome the recommendations that I am hopeful you will make. With that, Mr. Chairman, I conclude and defer to my colleagues.

Mr. PUGSLEY. May I add something to your statement, Mr. Poff?

Mr. POFF. Yes.

Mr. PUGSLEY. I have known Commissioner Brenner for some years and he is a very fine, cooperative gentleman. I have heard him criticized for not accepting the cooperation offered by some bar groups and I might explain if he has not chosen to do so himself that when designated as the Secretary of Commerce representative on the President's Commission he was bound by that Commission's decision to keep their deliberations secret and he really had no choice. While a member of the Commission he was not free to open up and say, "This is what we are talking about. What do you think about it?" Now that that is over he is evidencing every desire to cooperate and we intend to cooperate with him.

Mr. KASTENMEIER. Mr. Pugsley, I am very pleased that you mentioned that because I am impressed with the Commissioner of Patents and I should not like the statements made here to have implicit in them criticism of him. The Commissioner knows how to proceed in terms of gaining the advice and counsel of the appropriate groups without this committee advising him what to do in this respect.

Mr. POFF. Mr. Chairman, in response to that may I say that I have just called attention to the fact that Commissioner Brenner has my full confidence and that what I have said is intended to be helpful to him and that what I said was said in my own individual responsibility and not necessarily as a member of this subcommittee. Yet I am sure that Mr. Brenner will take into account the fact that I am a member of the subcommittee.

Mr. KASTENMEIER. Mr. Hutchinson.

Mr. HUTCHINSON. I understood your testimony to be that a committee of your association put itself on record as favoring the first-to-file system but that subsequently you polled your entire membership and that the membership favors the first-to-invent system. What percent of your membership responded to your poll?

Mr. PUGSLEY. We had 1,050-some-odd full responses to our questionnaire. We had 357, I believe, registered in attendance at the meeting 2 weeks ago in Boston.

Mr. HUTCHINSON. How many ballots did you send out?

Mr. PUGSLEY. We sent out, our membership at that time was some 2,860 when we sent out the questionnaire just about a year ago and we received responses from just under 40 percent of our members.

Mr. HUTCHINSON. So you don't know where the other 60 percent stand on the issue?

Mr. PUGSLEY. We have certain indications because we have some 1,600 of our members who have been interested enough to be willing to serve on committees, and we have 10 of our committees interested in one or more sections of this bill, and those who cannot come to Washington to meet with the full committee, have been given an opportunity for a mail vote.

Mr. Mackey's committee is well over one hundred members, the committee on patent law. It dealt with this first-to-file system. They met and deliberated and voted in favor of a reform of present interference practice in keeping the first-to-invent system. He then sent out a questionnaire to all absent members and the vote was confirmed.

Mr. MACKEY. This is correct.

Mr. PUGSLEY. So we get confirmation from committee members who did not attend the Boston meeting and for some reason or another did not send back the questionnaire.

Mr. HUTCHINSON. The membership in the association is, I assume, open to attorneys who have an interest in patent law, is that right?

Mr. PUGSLEY. Yes. If they are lawyers they are invited to join.

Mr. HUTCHINSON. Are they all active in patent law?

Mr. PUGSLEY. We don't have an exact indication of that. As I said in my statement we think some 2,800 have patent law as their primary interest and about 200 have it as only a secondary or passing interest. We would welcome 1,000 additional general lawyers. In fact I am a partner in a general law firm myself in Houston. There are only two partners in my firm out of 41 who practice patent law at all. I wish more general lawyers took an interest in our problems and affairs.

Mr. HUTCHINSON. What I am trying to get at is why, with a response of less than 50 percent of your membership, you can conclude that that response indicates what the majority of your membership feels. I appreciate the burden with regard to polls. I know how these polls usually work but just the same I think we have to recognize the shortcomings and I think it is important to put on the record that you are taking a position which has been indicated by less than 40 percent of your membership. You don't know what the other 60 percent feels on the matter at all.

Mr. PUGSLEY. I certainly would not venture to say that there is any unanimity, and these issues were hotly debated. Our questionnaire was just an unofficial expression to help the President's Commission. Our official position was taken at the stated meeting in Boston with only 350-some odd members present. However, on first-to-file it was a rather large majority. That was one that was so clear that we did not have a head count because 80 percent anyway of those attending favored keeping a first-to-invent system but reforming interference practice to eliminate its principal problem. But you certainly are correct in

your general observations and that is a problem with any large association letting every member's view be considered and counted. Perhaps I could suggest that the members who are interested enough to come to meetings, to reply to questionnaires and to work on committees, I would consider their views to have greater assurance of reliability than the absent members' views. That is about the only answer I could give.

Mr. HUTCHINSON. I thank you very much. That is all.

Mr. KASTENMEIER. Mr. Roth.

Mr. ROTH. Yes. On the same point, I understand that in one large patent organization that took it to a vote that the older members voted in favor of retaining while the younger ones voted for the first to file. I wonder if you would care to comment. Do you think it is possible that the questionnaire would tend to invite those that practice against change?

Mr. PUGSLEY. We had that in mind when we sent out the questionnaire and we thought it would be of interest to the President's Commission and otherwise. We included questions to elicit how long they had practiced. One of the questions in our questionnaire is: "I have been in practice—measured from the date of Patent Office registration. (A) less than 5 years, (B) 5 to 15, (C) 15 to 25, and (D) over 25," and our questionnaire results included a tabulation of those answers and percentages. Very surprising to us, we found that while there is some variation depending on length of practice that there was much less than we expected in our questionnaire results. Do you remember it more exactly?

Mr. MACKEY. I don't have that.

Mr. PUGSLEY. I will be happy to furnish that.

Mr. ROTH. I would be very interested in seeing that.

(The material to be supplied follows:)

BAKER, BOTTS, SHEPHERD & COATES,
Houston, Tex., April 2, 1968.

HERBERT FUCHS, Esq.
Counsel, Subcommittee No. 3, Committee on the Judiciary, House of Representatives, Washington, D.C.

DEAR MR. FUCHS: When I testified on June 8, 1967 before Subcommittee No. 3, Congressman Roth raised an interesting question concerning the American Patent Law Association questionnaire results which we had furnished to the President's Commission on the Patent System. He wanted to know whether the overwhelming vote against abolition of the grace period and adoption of a first-to-file system resulted from the resistance to change of our older members, or whether the younger lawyers were equally opposed. When I replied that this information could be obtained from the questionnaire answers, I was requested to furnish to the Subcommittee a tabulation of the replies to these key questions which would show the years of patent practice of the members responding.

We have prepared and enclose a tabulation of the replies to these two questions, showing in separate columns the percentage of votes favoring each of three alternative answers. The first column reflects the vote of all members responding and the remaining four reflect the votes of members in practice less than 5 years, from 5 to 15 years, from 15 to 25 years, and more than 25 years, respectively. The final line of each column gives the actual number of members responding.

The percentage figures sometimes do not add up to 100 because some members did not vote in favor of any of the listed alternatives, making "write-in" suggestions instead. In several instances a column will total slightly more than 100% because our tabulators increased all major fractions to the next higher whole number.

The original questions directed to the grace period and first-to-file concepts were numbered 17 and 18a. However, question 17 did not employ the term "grace period" but referred to it as "the present one year period for filing application

before statutory bars apply". Also, question 18a did not include the term "first-to-file" but referred to this concept as "abolishing" Interferences. In order to employ the same terminology on the tabulation as was used during my testimony, I paraphrased question 17 and added a parenthetical explanation to the third part of question 18a.

The statistical analyst who reviewed the computer runs upon which the enclosed tabulation is based informs us that the percentage variations by age group do not under the statistical basis customarily applied show any meaningful differences resulting from years of experience. Without being an expert in statistical analysis, moreover, I was able to note that the percentage variations between the four groups tabulated are surprisingly small.

I believe that this tabulation of replies to our questionnaire complies with the final request made of me. Nevertheless, please do not hesitate to call on me for any further information which you believe might be helpful to the Subcommittee.

Very truly yours,

FRANK B. PUGSLEY.

APLA QUESTIONNAIRE

[In percent]

Question (paraphrased)	Percentage of all members responding	Years of patent practice of members responding			
		Less than 5	5 to 15	15 to 25	More than 25
17. Do you favor:					
A. Retention of present 1-year grace period	65	56	64	64	72
B. Eliminating grace period except for publication, use, etc., by the applicant	29	35	30	32	23
C. Absolute elimination of grace period	5	6	6	4	4
18a. Do you feel present interference practice needs:					
1. Little or no change	18	20	16	17	20
2. Substantial improvement	55	50	57	55	56
3. Abolishing (adoption of absolute 1st-to-file system)	28	28	28	30	24
Number of replies	1,012	105	378	247	282

Mr. PUGSLEY. We also have a breakdown in accordance with whether a lawyer is in corporate employment or private practice. Because this was calculated on a computer all that I can furnish is what we have in that I don't believe the actual ballots of a year and a half ago are still in existence but I can give you what we have on that. That is why we included that sort of question to see if oldtimers were against change and young people wanted change. It was not really as marked as we expected but there were some interesting variations.

Mr. ROTH. On page 13 of your statement you state that:

> The association recommends that applications be kept secret until their allowance and that an applicant be allowed a reasonable time after allowance of his application to decide whether to abandon it in order to avoid publication.

Why is it desirable to let them abandon at that time, particularly in view of the great overload of work in the Patent Office? What would basically be the reasons for abandoning the claim at that time?

Mr. PUGSLEY. The reason an applicant would do that, Mr. Roth, is if he had disclosed carefully a complicated process in his patent application and the Patent Office was only going to allow him a patent that would cover either one step or one narrow modification of his process. In such a case when he reviewed what patent protection he was given he might consider it so wholly inadequate that he would prefer not to disclose to the public all the details of his process but instead would abandon his efforts to obtain a patent on it and seek to keep his process confidential.

Mr. ROTH. Could he later reply if he so chose?

Mr. MACKEY. Yes, he could, but his patent could very well be subject to attack.

Mr. PUGSLEY. He would lose, of course, the benefit of his earlier filing date because of the hiatus and normally there would be some intervening use or publication as the art caught up with him.

Mr. ROTH. One further question. On page 17 you propose a change in the interferences. If your approach was adopted and another applicant did file an interference and he was sustained, would he obtain a new patent for 20 years or what would be his rights?

Mr. PUGSLEY. Basically, according to the association position the longest term he could have would date, of course, from his own filing. We are still considering two other provisions. One that we are considering in our committees is whether his term should be limited to the length of the term of the patent whose claims he took as a result of this interference and the other is a provision that would not allow a person to go back but a certain period of time from his date of filing in proving up his conception and reduction of practice as a further impetus to requiring him to file quickly. We have taken a position. We are still studying both of those possibilities. One problem in taking a position on it that most people overlook is that when the Patent Office issues the patent to the first-to-file it may often make mistakes.

It is difficult to check all these patent applications and be sure that you are not overlooking an interfering application and the examiner who acts more promptly will issue one where another examiner in the same art had an earlier filed one that he had not issued yet. Then the issued one is already out. So sometimes the second-to-file might inadvertently be issued. So that our position and what we are working on is an effort to take care of that situation also. When the second-to-file was inadvertently issued and the first-to-file can show he was earlier and take it away in our interference process, then if we gave him the life of the second-to-file that issued he would get longer than 20 years. That is the sort of consideration we have in mind. If we had just a flat position on that he might sometimes get longer than 20 years when the Patent Office inadvertently issued the second-to-file and he took its claims in an interference.

Mr. POFF. Would my colleague yield?

Mr. ROTH. Yes.

Mr. POFF. I would not like the question I am about to ask to reflect any particular preference on my part but I wonder if it is possible for you to particularize in somewhat greater detail the suggestion which you have made on page 17 and to which my colleague refers. I assume this was the result of study by one of your committees.

Mr. PUGSLEY. Yes.

Mr. POFF. Speaking as one member of the committee, Mr. Chairman, I would be interested in having in writing, if that would be more convenient, and in the future some more detailed projection of that suggestion.

Mr. KASTENMEIER. Following that suggestion, if the witness is inclined to accommodate the committee he might communicate his submission to each member of the subcommittee as well as making it a matter offered for the committee's hearing record.

Mr. PUGSLEY. We would be happy to do that. I should state, however, that our special committee on reform of interference practices is still working on a lot of these details. It is surprising the number of objections that come to light after 2 and 3 years of study. We have had a special committee on the reform of interference practice for 3 years now, but then thrown into the picture is the possibility of a first-to-file system and various other things, and we try to take that into account also. We are working on it now and I could give you a preliminary report projecting some of the details and outlining some of the points that we have not agreed upon yet if that would be helpful to you.

(The information to be supplied appears as part of an appendix to Mr. Eben M. Graves' testimony on February 21, 1968, see p. 485 infra.)

Mr. KASTENMEIER. Do you think there could be raised the argument that this system, that you recommend, might militate against improving the quality of a patent? Could someone make that argument?

Mr. PUGSLEY. Mr. Chairman, I think the provisions that will do the most to raise the quality and reliability are provisions which we have supported such as the citation of art by the public when the application has been published upon allowance, so that the Patent Office will not overlook any of the prior art not in its files. That goes to the reliability and quality, I think. We feel that our system of having a way in which the first inventor can always establish his date and ultimately win the claims will encourage quality of patent applications because they won't need to be hastily prepared. It is true that there would be a certain presumption against him because of the other patent issues, but he can overcome it then and take the claims for at least the remaining term. So we think it would improve the quality more than H.R. 5924 as presently drafted.

Mr. KASTENMEIER. Mr. Roth, do you have further questions?

Mr. ROTH. That is all I have, Mr. Chairman.

Mr. KASTENMEIER. If there are no further questions, the committee thanks you, Mr. Pugsley, and Mr. Mackey, for your testimony in behalf of your association here this morning.

Mr. PUGSLEY. Thank you.

Mr. KASTENMEIER. The Chair would like to announce that we will adjourn today for a period of time in recognition of the fact that there is an International Conference on Intellectual Property including patent law in Stockholm in the next several weeks. We hope that this committee will be represented at that conference.

The committee will stand adjourned until further call of the Chair.

(Whereupon, at 11:50 a.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.)

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